CEPATWAWASAN GROUP BERHAD

(Company No: 536499-K)

2017
annual report

CEPATWAWASAN GROUP BERHAD
(Company No: 536499-K)

CONTENTS

Notice of The Eighteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of the Company will be held at Amadeus IV, Level 2, Sabah Hotel Sandakan, KM 1, Jalan Utara, Sandakan, Sabah on Wednesday, 9 May 2018 at 11.00 a.m. for the following business:

AGENDA	**Ordinary Resolution No.**
1. To lay the audited financial statements of the Company for the financial year ended 31 December 2017 together with the reports of the directors and auditors.	
2. To approve the payment of Directors' fees and benefits of up to RM160,000 for the period from 1 January 2018 to the next Annual General Meeting.	1
3. To re-elect the following directors retiring in accordance with Article 76 of the Company's Constitution:	
a) Tan Sri Dr Mah King Thian @ Mah King Thiam	2
b) Mr. Chua Kim Yin	3
4. To appoint auditors and to authorise the Directors to fix their remuneration.	4

5. To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:

AUTHORITY TO ALLOT SHARES

"THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 75 of the Companies Act 2016 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be allotted pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being." 5

6. To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

"THAT subject to the Companies Act 2016 ("Act"), provisions of the Company's Constitution and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, and other relevant approvals, the Directors of the Company be and are hereby authorised to purchase the Company's ordinary shares ("Shares") through Bursa Securities, subject to the following:

(a) The maximum number of Shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time;

Ordinary Resolution No.

(b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits of the Company;

(c) The authority conferred by this resolution will be effective upon passing of this resolution and will continue in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the AGM at which this resolution was passed, at which time the authority shall lapse, unless the authority is renewed by an ordinary resolution passed at the next AGM; or

(ii) the expiry of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340 of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or

(iii) the authority is revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first;

(d) Upon completion of the purchase(s) of the Shares by the Company, the Shares shall be dealt in the following manner as the Directors of the Company may decide:

(i) cancel the Shares so purchased; or
(ii) retain the Shares so purchased as treasury shares; or
(iii) retain part of the Shares so purchased as treasury shares and/or cancel the remainder; or
(iv) distribute the treasury shares as dividends to shareholders;
(v) resell the treasury shares or any of the shares in accordance with the relevant rules of Bursa Securities;
(vi) transfer the treasury shares, or any of the shares for the purposes of or under an employees' share scheme;
(vii) transfer the treasury shares, or any of the shares as purchase consideration; or
(viii) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister may by order prescribe.

THAT the Directors of the Company be and are hereby authorised to take all such steps and enter into all agreements, arrangements and guarantees with any party or parties as are necessary to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares."

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Notice of The Eighteenth Annual General Meeting (cont'd)

	Ordinary Resolution No.
7. To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:	
APPROVAL TO CONTINUE IN OFFICE AS SENIOR INDEPENDENT DIRECTOR	
"THAT Mr. Chua Kim Yin who has served the Board as the Senior Independent Non-Executive Director of the Company for a cumulative term of more than twelve years since 21 July 2005 be and is hereby retained as the Senior Independent Non-Executive Director of the Company."	7
APPROVAL TO CONTINUE IN OFFICE AS INDEPENDENT DIRECTOR	
"THAT Mr. Chan Kam Leong who has served the Board as the Independent Non-Executive Director of the Company for a cumulative term of more than nine years since 2 May 2008 be and is hereby retained as the Independent Non-Executive Director of the Company."	8
APPROVAL TO CONTINUE IN OFFICE AS INDEPENDENT DIRECTOR	
"THAT Mr. Choong Pak Wan who has served the Board as the Independent Non-Executive Director of the Company for a cumulative term of more than nine years since 25 February 2009 be and is hereby retained as the Independent Non-Executive Director of the Company."	9
8. To transact any other business for which due notice shall have been given.	

BY ORDER OF THE BOARD

KANG SHEW MENG
SEOW FEI SAN
Secretaries

Petaling Jaya

9 April 2018

Notes:-

(a) Only members whose names appear on the Record of Depositors as at 2 May 2018 shall be entitled to attend, speak and vote at the said meeting or appoint proxies on his/her behalf.

(b) A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend, speak and vote at the same meeting. A proxy may but need not be a member of the Company.

Notice of The Eighteenth Annual General Meeting (cont'd)

Notes:- (cont'd)

(c) Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
(d) If the appointer is a corporation, the Form of Proxy must be executed under its seal or under the hand of its attorney.
(e) To be valid this form duly completed must be deposited at the Company's Share Registrar's Office at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting.
(g) Form of Proxy sent through facsimile transmission shall not be accepted.

Explanatory Note

➢ **Resolution No. 1**

Pursuant to Section 230(1) of the Companies Act 2016 ("Act"), the fees and any benefits payable to the directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The fee and benefits of the Non-Executive Directors of the Group consist of:
- Monthly fixed fee for duties as Non-Executive Director; and
- Meeting allowance for each Board/ Board Committee/general meeting attended;

The Directors fee and benefits from 1 January 2018 until the conclusion of the next Annual General Meeting, is estimated not to exceed RM160,000.

➢ **Resolution No. 5**

The proposed Ordinary Resolution 5, if passed, will empower the Directors of the Company to allot and issue not more than 10% of the total number of issued shares of the Company subject to the approvals of all the relevant governmental and/or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company. This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Seventeenth Annual General Meeting held on 17 May 2017 and which will lapse at the conclusion of the Eighteenth Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, repayment of bank borrowings and/or acquisitions.

➢ **Resolution No. 6**

The proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company to continue to purchase the Company's shares up to ten percent (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total retained earnings of the Company. Further information on the Proposed Renewal of the Share Buy-Back Authority is set out in the Share Buy-back Statement dated 9 April 2018 which is despatched together with Company's Annual Report 2017.

- **Resolution No. 7**

  Pursuant to the Malaysian Code of Corporate Governance implemented in April 2017, the Company would apply the two-tier voting process in seeking shareholders' approval to retain Independent Director beyond twelve years of tenure.

  The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Mr. Chua Kim Yin who has served as Senior Independent Director of the Company for a cumulative term of more than twelve years.

  Besides being an Associate Member of Certified Practising Accountant Australia, Mr. Chua Kim Ying as a senior Partner in a Sabah law firm has good knowledge and experience on the law in that State where the Group operates. He has also gained vast experience in a diverse range of business matters from his profession. He has been with the Company for more than twelve years and is well versed with its business operations. The Board is of the opinion that he has brought and will continue to bring positive contributions to the Group through his area of expertise and his understanding of its business operations.

  Thus, the Board recommends him to continue to act as Independent Director of the Company.

- **Resolution No. 8**

  The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Mr. Chan Kam Leong who has served as Independent Director of the Company for a cumulative term of more than nine years.

  Mr. Chan Kam Leong has more than 45 years of experience in civil and structural engineering consultancy, being a winner of Tan Sri Hj Yusoff Price for publishing an outstanding paper for The Institution of Engineers, Malaysia. He has a good understanding of the Company's operations and has always provided valuable technical guidance. He has been with the Company for more than nine years and is familiar with its business operations. The Board is of the opinion that he has brought and will continue to bring position contributions to the Group through his area of expertise and his understanding of its operations and recommends him to continue to act as Independent Director of the Company.

- **Resolution No. 9**

  The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Mr. Choong Pak Wan who has served as Independent Director of the Company for a cumulative term of more than nine years.

  Mr. Choong Pak Wan has more than 40 years of experience in property development and construction, and his position as Project Director in an established architecture firm has contributed positively to the Board in the area of project planning and implementation. He has been with the Company for more than nine years. The Board is of the opinion that he has brought and will continue to bring position contributions to the Group through his area of expertise and his understanding of the Company's operations and thus, recommends him to continue to act as Independent Director of the Company.

Corporate Information

BOARD OF DIRECTORS

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

Managing Director
Dato' Seri Mah King Seng

Independent & Non-Executive Directors
Chua Kim Yin
Chan Kam Leong
Choong Pak Wan

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

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

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

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

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

AUDITORS
Ernst & Young
16th Floor
Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan, Sabah
Tel: 089-217 266
Fax: 089-272 002

SHARE REGISTRAR
Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur
Tel: 03-2783 9299
Fax: 03-2783 9222

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

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad

Profile of Board of Directors

TAN SRI DR MAH KING THIAN @ MAH KING THIAM
Malaysian, male, aged 54
Executive Director/Chairman

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

He graduated from Monash University, Australia with a Bachelor of Economics Degree majoring in Accounting in 1986 and also a Bachelor of Laws Degree in 1987. He was subsequently admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1989. He is also a Fellow Member of Certified Practising Accountant Australia (FCPA). In 2018, he successfully completed his postgraduate study on oil palm renewable energy businesses and was conferred the degree of Doctor of Philosophy (PhD) by the Liverpool Business School in the United Kingdom. He is the Managing Director of MHC Plantations Bhd and a Director of Anson Oil Industries Berhad, both public companies, and also a Director of Behrang 2020 Sdn Bhd and several other private limited companies. He is also the Executive Chairman of an existing subsidiary of the Company, Timah Resources Limited, an Australian incorporated company listed on the Australian Securities Exchange.

Tan Sri Dr Mah King Thian @ Mah King Thiam is deemed connected to MHC Plantations Bhd and Yew Lee Holdings Sdn. Berhad, two of the substantial shareholders of the Company. He is the younger brother of Dato' Seri Mah King Seng, the Managing Director of the Company, father of Dr. Jordina Mah Siu Yi, the Alternate Director to him and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years. He attended four Board Meetings held during the financial year.

DATO' SERI MAH KING SENG
Malaysian, male, aged 59
Managing Director

Dato' Seri Mah King Seng was appointed as a Director and Managing Director of the Company on 27 October 2005 and 27 February 2008 respectively. He is the Chairman of the Executive Committee.

He graduated from University of Minnesota, United States of America with a degree in Agricultural Science in 1978. In 1980, he attended the Palm Oil Mill Engineer/Executive Training course on palm oil mill operations organised by the Malaysian Oil Palm Growers Council. He subsequently obtained his Bachelor of Laws Degree in 1985 from the University of Buckingham, United Kingdom and was admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1990. He is the Executive Chairman of MHC Plantations Bhd and a Director of Anson Oil Industries Berhad, both public companies, and also a Director of Behrang 2020 Sdn Bhd and several other private limited companies. He is also the Managing Director of an existing subsidiary of the Company, Timah Resources Limited, an Australian incorporated company listed on the Australian Securities Exchange.

Dato' Seri Mah King Seng is deemed connected to MHC Plantations Bhd and Yew Lee Holdings Sdn. Berhad, two of the substantial shareholders of the Company. He is the elder brother of Tan Sri Mah King Thian @ Mah King Thiam, the Executive Director/Chairman of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years. He attended four Board Meetings held during the financial year.

Profile of Board of Directors (cont'd)

CHUA KIM YIN (JP)

Malaysian, male, aged 56
Senior Independent Non-Executive Director

Mr. Chua Kim Yin was appointed as an Independent Non-Executive Director of the Company on 21 July 2005 and appointed Senior Independent Non-Executive Director on 25 February 2013. He is the Chairman of both the Audit Committee and Nomination Committee. He is also a member of the Remuneration Committee. Mr. Chua was appointed a Justice of The Peace (JP) by Yang Di-Pertua Negeri Sabah in September 1996.

He obtained his Bachelor of Economics (Accounting) in 1984 and Bachelor of Laws in 1986 from Monash University, Victoria, Australia. He was then admitted to practise as a Barrister and Solicitor of the Supreme Court of Victoria, Australia in 1987. A year later, he was admitted as an Advocate of the High Court in Borneo, in the State of Sabah. He is currently a partner in the legal firm, Messrs RCK & Co. in Kota Kinabalu, Sabah. He is also an Associate Member of Certified Practising Accountant Australia.

He has no family relationship with any directors and/or major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years. He attended four Board Meetings held during the financial year.

CHAN KAM LEONG

Malaysian, male, aged 77
Independent Non-Executive Director

Mr. Chan Kam Leong was appointed as an Independent Non-Executive Director of the Company on 2 May 2008. He is the Chairman of Remuneration Committee. He is also a member of the Audit Committee and Nomination Committee.

He holds the qualifications of Bachelor of Science (Eng), Master of Science (Construction Management) and Professional Engineer, Malaysia as well as Chartered Engineer, United Kingdom (UK). He is also members of The Institution of Civil Engineers, UK, The Institution of Structural Engineers, UK, The Institution of Engineers, Malaysia (IEM) and The Association of Consulting Engineers, Malaysia.

He had three years working experience each in Kuala Lumpur and Singapore and three and a half years working experience in London before founding K.L. Chan & Associates of which he is presently a partner. He has more than forty-five years of experience in civil and structural engineering consultancy. He was also the winner of the Tan Sri Hj. Yusoff Prize in 2007 for publishing an outstanding paper in the IEM Journal.

He is a Director of MHC Plantations Bhd, a company listed on the Bursa Malaysia Securities Berhad.

He has no family relationship with any directors and/or major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years. He attended four Board Meetings held during the financial year.

Profile of Board of Directors (cont'd)

CHOONG PAK WAN
Malaysian, male, aged 73
Independent Non-Executive Director

Mr. Choong Pak Wan was appointed as an Independent Non-Executive Director of the Company on 25 February 2009. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

He is a Project Director in an established architect firm in Ipoh. He has more than 40 years experience in the property development and construction industries, mainly in development planning, project feasibility study and implementation. He also acts as adviser and is a director in various development companies namely AI Archi-Management Sdn Bhd, MC Square Sdn Bhd, CNT Builders Sdn Bhd and Simpulai Land Sdn Bhd.

He has no family relationship with any directors and/or major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years. He attended four Board Meetings held during the financial year.

DR JORDINA MAH SIU YI
Malaysian, female, aged 25
Alternate Director

Dr Jordina Mah Siu Yi was appointed as an Alternate Director to Tan Sri Dr Mah King Thian @ Mah King Thiam ("Tan Sri Mah"), on 7 March 2018. She obtains her Bachelor of Medicine and Bachelor of Surgery from the University of Glasgow, United Kingdom in 2016 and attended postgraduate study in Law in the United Kingdom in 2017

Dr Mah is currently assisting Tan Sri Mah, the Executive Chairman of the Company, in the performance of Tan Sri Mah's duties. Dr Mah is also the Alternate Director of Tan Sri Mah in MHC Plantations Berhad, a company listed on the Main Market of Bursa Securities Malaysia Berhad.

She has co-authored papers in international medical journals. Previously, she has interned at World Vision Australia in Melbourne, Messrs. Wong Kian Kheong, Advocates & Solicitors, in Kuala Lumpur, and University Malaya Medical Centre.

She is the eldest daughter of Tan Sri Mah, who is the Executive Chairman of the Company and a substantial shareholder of Dato' Mah Pooi Soo Realty Sdn Bhd ("DMR"), a major shareholder of the Company, and the granddaughter of Datin Seri Ooi Ah Thin, who is also a Director and substantial shareholder of DMR. She has no conflict of interest with the Company and has no conviction for offences within the past five (5) years. She did not attend any Board Meetings during the financial year as she was appointed to the Board only recently.

Profile of Key Senior Management

TAN SRI DR MAH KING THIAN
Malaysian, male, Aged 54,
Executive Chairman
* The profile of Tan Sri Dr Mah King Thian is listed in the Profile of Directors on page 8.

DATO' SERI MAH KING SENG
Malaysian, male, aged 59
Managing Director
* The profile of Dato' Seri Mah King Seng is listed in the Profile of Directors on page 8.

SOONG SWEE KOON
Malaysian, male, Aged 62
Chief Operating Officer

Mr. Soong is a qualified engineer with a Steam Engineers Certificate of Competency (First Grade). He started his career in power generation with Perak Hydro Electric Power Company (UK firm) in 1974. In the following years, he specialised in power generation, Hydro and Steam Thermal Power Plants, and maintenance and workshop overhaul of Cummins Diesel Engines and generators. From 1980 to1996, he worked as an engineer in United Plantations Bhd. The palm oil mill under Mr. Soong's management was the winner of the Anugerah Award for Best Palm Oil Mill in Malaysia (2nd Place from year 1990-1995). He served as senior engineer, technical advisor, project manager and regional consultant to a number of energy companies from 1996 to 2010. He was appointed as Chief Operating Officer of MHC Plantations Bhd on 15 November 2012. He is also the Executive Director of Timah Resources Limited, an Australian incorporated company listed on the Australian Securities Exchange.

He does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offence in the last five (5) years.

MUTHUSAMY A/L P. KARUPPAIAH
Malaysian, male, aged 63
Group General Manager

Mr. Muthusamy A/L P. Karuppaiah was appointed as Group General Manager on 20 February 2014.

He obtained his Diploma in Agriculture in 1979 and also a Diploma in Oil Palm & Technology (Milling) in 2002. He is a planter with wide experience in the industry. He spent 24 years in United Plantation Berhad, holding various positions from Cadet Assistant to Plantation Manager before he joined MHC Plantations Bhd as Senior Manager. After 2 years in MHC Plantations Bhd, he joined IJM Plantations Berhad as Senior Manager for Indonesia Operations. He then joined Cepatwawasan Group Berhad in 2009 as Plantation Controller and was promoted to his current position in 20 February 2014.

He has no family relationship with any Directors and/or major shareholders of the Company, and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years.

He does not hold any directorships in public companies.

Profile of Key Senior Management (cont'd)

LIU SWEE KAN
Malaysian, male, aged 50
Group Accountant

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

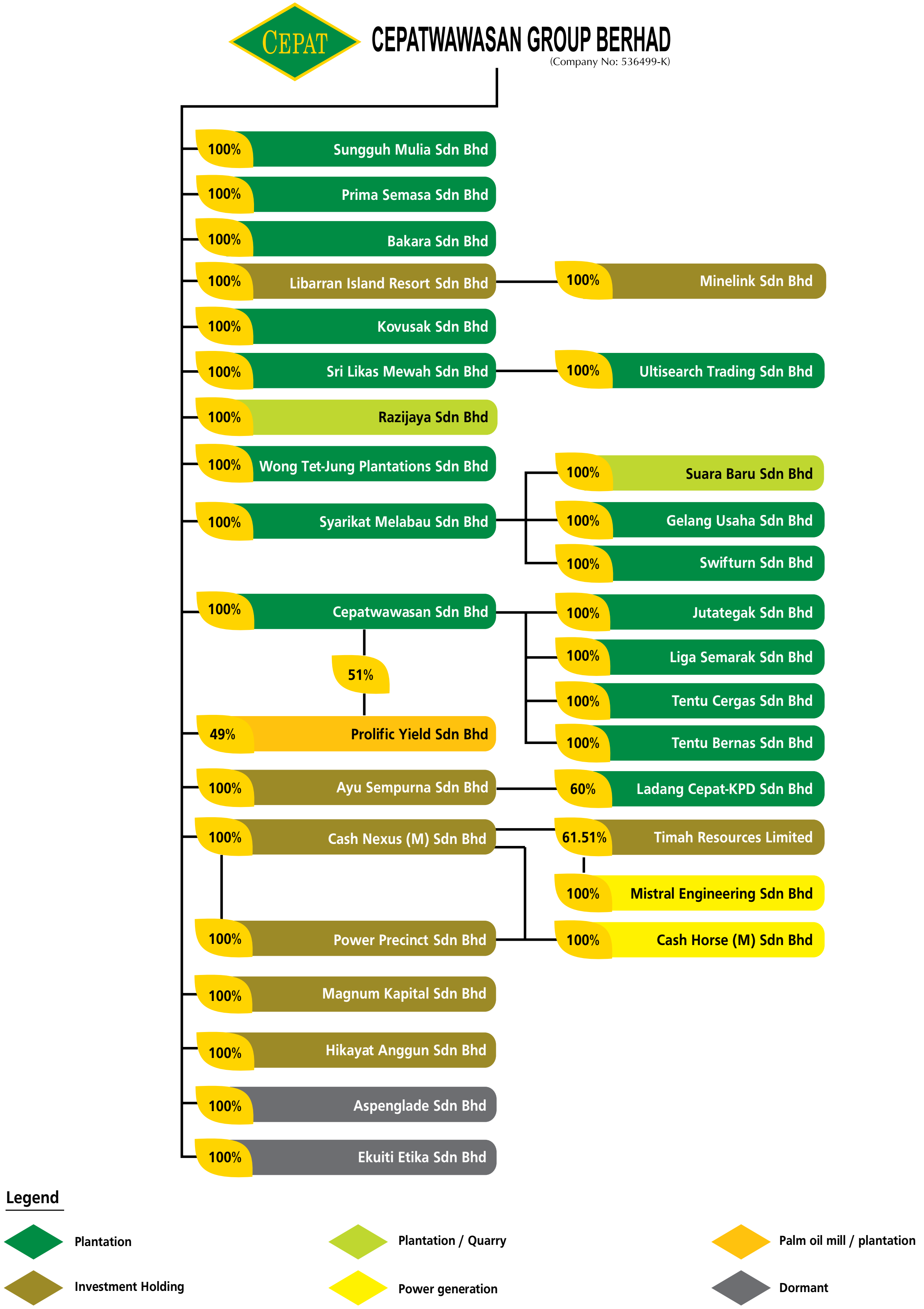
He obtained his professional qualification from the Malaysia Institute of Certified Public Accountants in 2005 and is currently a member of the Malaysian Institute of Accountants (MIA).

He was with Audit Firms for 10 years before working as a Finance Manager in a shipping and logistic company in Sarawak for 3 years. He then joined a Plantation Company based in Sarawak for about 8 years, holding positions from Accountant to Senior Accountant.

He has no family relationship with any Directors and/or major shareholders of the Company, and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years.

He does not hold any directorships in public companies.

Group Structure



Chairman's Statement

Group's Performance

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of the Company and its subsidiaries (hereinafter collectively referred to as "Group") for the financial year ended 31 December 2017.

The Group recorded revenue of RM274.13 million and profit before tax of RM 40.52 million in 2017 as compared to RM254.67 million and 30.72 million respectively in 2016. Profit after tax improved from RM22.49 million in 2016 to RM31.13 million and hence, the Group's net earnings per share has increased from 6.84 sen to 8.96 sen. Net tangible assets per share attributable to ordinary equity holders of the Company is now 1.31 sen.

The increases in revenue and profit before tax are mainly due to increases in:-

i) Average selling prices of Crude Palm Oil ("CPO") and Fresh Fruit Bunches ("FFB") by 6% and 5% respectively;
ii) Sales volume of CPO, Palm Kernel ("PK') and FFB by 7%, 9% and 41% respectively;
iii) FFB Production by 7%;
iv) Milling margin and FFB processed; and
v) Export of electricity by 30%, and Empty Fruit Bunches ("EFB") oil selling prices by 36%.

The highlights of Group performance are stated below:

Average selling price per metric tonne("mt"):-

	2017 (RM)	2016 (RM)	Increase Decrease (-)
CPO	2,741	2,578	6%
PK	2,474	2,490	-1%
FFB	535	511	5%
Production:-			
CPO (mt)	65,997	59,161	12%
PK (mt)	15,831	14,334	10%
FFB (mt)	133,336	124,390	7%
Electricity Export(MWh)	75,622	58,280	30%
Extraction rate:-			
CPO	19.74%	20.00%	-0.26%
PK	4.74%	4.84%	-0.10%

Dividend

On 26 February 2018, the Board approved a single-tier ordinary dividend of 2.0 sen per ordinary share on 308,967,010 ordinary shares amounting to a dividend of RM6,179,340 payable on 22 May 2018.

Chairman's Statement (cont'd)

Digitalisation of Estate and Mill Monitoring and Reporting

During the year, the Group initiated digital monitoring and reporting for 2 of its estates and the mill as the pilot phase of its plan to have digital monitoring and reporting for its entire estate's operation. At the moment, RM0.32 million has been incurred for both software and hardware. The digitalisation has led to more effective supervision as it enables the Group to harness the GPS signals with Android-Based hand-held devices to track plantation and milling activities with a web-based back-end system.

Digitalisation of Estate Operation

Digitalisation of Mill Operation

Corporate Social Responsibility ("CSR")

The Group is committed to ensuring that its actions not only benefit its shareholders but also its employees, the community and the environment. The Group undertakes many corporate social responsibility activities through Dato' Seri Mah Pooi Soo Benevolent Fund ("the Fund") which is a charitable organisation partly funded by the Group over the years. The Fund is dedicated to the advancement of education and religion, relief of poverty and other purposes beneficial to the community.

Prospect and Outlook

The performance of the Group's core business segment will continue to depend on prices, and the demand and supply dynamics of palm-based products. The Group's FFB production is expected to increase in 2018 due to the recovery in yield with the El-Nino effect coming to an end. However, CPO prices will likely be under pressure with higher palm oil production expected in 2018 and the strengthening of Malaysian Ringgit against US Dollar.

On the whole, your Board is confident that, barring any unforeseen circumstances, the Group will continue to perform satisfactorily in 2018.

Acknowledgement

I wish to express my gratitude to our Management and Staff for their dedicated services and contributions throughout the year.

To all our valued suppliers, customers, bankers, business associates and advisers, thank you very much for your loyalty and commitment.

And finally, to all our shareholders, please accept my heartfelt thanks for your unwavering and continuous support. May I wish you all a very successful and prosperous year ahead

Regards
Tan Sri Dr Mah King Thian
Executive Chairman

Management's Discussion and Analysis

DESCRIPTION OF OUR GROUP'S BUSINESS

Cepatwawasan Group Berhad ("CGB") was incorporated in Malaysia under the Companies Act 1965 on 11 January 2001.

CGB is an investment holding company with its subsidiaries principally involved in oil palm cultivation, milling, quarrying, sales of oil palm products and power generation. These business units are organised into three major operating segments namely Plantation, Oil Mill and Power Plant.

As at 31 December 2017, the Group has a landbank of approximately 10,290 hectares in Sabah, Malaysia. The Group owns one oil mill in Sandakan, Sabah with a milling capacity of 90 metric tonnes("mt") per hour. In addition, the Group has ventured into oil palm renewable energy by investing in and operating a 12 Megawatt Biomass power plant and a 3.8 Megawatt Biogas power plant, both in Sandakan, Sabah.

Financial Review

Revenue

For 2017, the Group recorded revenue of RM274.13 million, which is an increase of RM19.46 million as compared to 2016, despite a RM15.73 million decrease arising from IC Interpretation 12 Service Concession Agreements for the Power Plant segment. The increase in revenue is mainly due the increase/(decrease) of sales volume and price as stated below:-

Average unit selling price:	2017 (RM)	2016 (RM)	Increase/ Decrease (-)
CPO/mt	2,741	2,578	6%
PK/mt	2,474	2,490	-1%
FFB/mt	535	511	5%
Electricity/kWh	0.3461	0.2153	60%
EFB Oil/mt	2,156	1,587	36%
Sales Volume			
CPO(mt)	66,059	61,925	7%
PK(mt)	15,711	14,415	9%
FFB(mt)	51,042	36,313	41%
Electricity(MWh)	75,622	58,280	30%
EFB Oil(mt)	5,296	6,257	-15%

Profit before Taxation

For this financial year under review, the Group recorded a profit before tax of RM40.52 million as compared to a profit before tax of RM30.72 million in the preceding year. The increase in profit before tax is mainly due to an increase in:-

i) Average selling price of CPO and FFB by 6% and 5% respectively.
ii) Sales volume of CPO, PK and FFB by 7%, 9% and 41% respectively.
iii) FFB Production by 7%.
iv) Milling margin and volume of FFB processed; and
v) Export of electricity by 30% and higher EFB oil selling price by 36%.

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

i) Plantation – The increase in profit before tax by RM5.22million (18%) from profit before tax of RM28.47 million to a profit before tax of RM33.69 million was mainly due to higher FFB selling price by 2% and increase in FFB production by 7%.

ii) Oil Mill – The increase in profit before tax by RM2.74 million (>100%) from profit before tax of RM2.26 million to a profit before tax of RM5.0 million was mainly due to higher milling margin and increase in productivity due to higher FFB intake.

iii) Power Plant – The increase in profit before tax by RM0.12 million (1%) from profit before taxation of RM11.47 million to a profit before taxation of RM11.59 million, despite a once-off downward adjustment of RM2.51 million caused by a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements for the Biomass Plant, was mainly due to increase in export of electricity by 30% and higher EFB oil selling price by 36%. The 12MW Biomass Power Plant generated and exported 60,288 MWh (2016: 58,280 MWh) whereas the 3.8 MW Biogas Power Plant generated and exported 15,333 MWh (2016: Nil MWh) for this current year to SESB.

Other Income

Other income increased by more than 100% from RM0.83 million to RM1.88 million mainly due to non-recurring income derived from gain on disposal of leasehold land of RM0.67 million and the fair value gain from revaluation of Leasehold property of RM0.64million.

Finance Cost

Finance costs reduce by 19% from RM7.17million to RM5.81 million due to repayment of borrowing during the year.

Taxation

The effective tax rate for 2016 was higher than the statutory tax rate principally due to certain expenses were disallowed for tax purposes.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company and earnings per share of the Group improved by 31% year-on-year at RM27.58 million and 8.96 sen respectively.

Cash Flow

In 2017, the Group generated higher net cash from operating activities of RM38.66 million as compared to RM24.99 million in the 2016, mainly due to higher oil palm product prices and productions.

The net cash used in investing activities comprised capital expenditure of RM14.36 million on oil palm plantations, palm oil mills, power plant and investment in Short term money market, which was reduced by proceeds from disposal of plant and equipment of RM2.30 million. The proceeds from disposals include RM1.69 million from disposal of part of the leasehold land and idle palm oil mill machinery.

The net cash used in financing activities in 2017 amounted to RM26.59 million, primarily relating to the repayment of bank borrowings.

Overall, the Group registered a net increase in cash and cash equivalents of RM0.01 million during 2017, bringing total cash and bank balances to RM19.21 million as at 31 December 2017.

FIVE -YEAR FINANCIAL HIGHLIGHT

Financial Amount in RM'000 unless otherwise stated	**2017**	**2016**	**2015**	**2014**	**2013**
Revenue	274,134	254,668	228,221	243,912	233,910
Profit before taxation	40,517	30,722	17,830	27,095	27,774
Taxation	(9,380)	(8,233)	(6,078)	(5,624)	(4,152)
Profit for the financial year	31,137	22,489	11,752	21,471	23,622
Attributable to:-					
Equity holders of the Company	27,683	21,145	9,815	20,559	23,
Non-controlling interests	3,454	1,344	1,937	912	569
	31,137	22,489	11,752	21,471	23,622
Share capital	318,446	318,446	318,446	318,446	318,446
Treasury shares	(11,097)	(11,097)	(11,097)	(11,097)	(11,096)
Reserves	(1,836)	(1,729)	(1,796)	4	-
Retained earnings	191,258	168,209	151,698	148,062	131,427
Non-controlling interests	20,229	18,429	17,823	20,103	18,061
Total equity	517,000	492,258	475,074	475,518	456,838
Loans and borrowings	58,538	63,804	68,624	65,433	32,000
Trade and other payables	29,179	31,828	23,200	27,755	29,588
Income tax payable	1,622	1,905	193	252	522
Deferred tax liabilities	51,620	50,293	48,079	47,238	46,179
Loans and borrowings (non-current)	51,827	66,315	74,045	60,228	69,788
Lease rental payable	267	267	267	267	267
	710,053	706,670	689,482	676,691	635,182

FIVE -YEAR FINANCIAL HIGHLIGHT (cont'd)

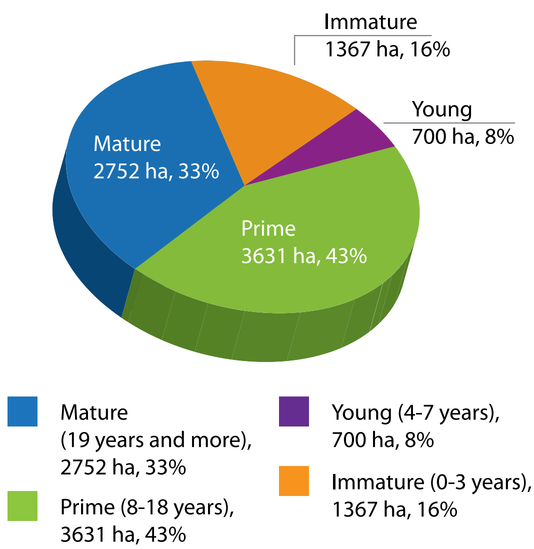
Financial Amount in RM'000 unless otherwise stated	**2017**	**2016**	**2015**	**2014**	**2013**
Property, plant and equipment	172,877	173,209	174,294	191,069	265,637
Biological assets	162,533	161,296	159,091	157,199	154,171
Investment properties	43,340	42,700	42,700	42,700	41,600
Intangible assets	92,088	92,088	92,088	92,088	92,088
Land use rights	1,938	1,966	1,994	2,022	2,050
Deferred tax assets	2,887	3,204	3,423	3,565	3,186
Trade and other receivables	142,918	149,502	136,077	108,184	6,036
Inventories	25,283	24,403	29,422	20,623	16,816
Trade and other receivables	26,272	22,272	13,629	21,107	17,323
Tax recoverable	1,187	1,411	883	3,809	1,501
Short term investments	17,062	13,098	11,085	10,892	10,443
Cash and bank balances	21,668	21,521	24,796	23,433	24,331
	710,053	706,670	689,482	676,691	635,182
Basic earnings per share (sen)	8.96	6.84	3.18	6.65	7.46
Net dividend per share (sen)	2.00	1.50	1.50	2.00	2.00
Dividend cover (times)	4.5	4.6	2.1	3.3	3.7

OPERATIONAL REVIEW

Plantation operations

The Group is a mid-sized oil palm plantation group based in Sandakan. As at 31 December 2017, total plantation land stood at approximately 10,290 hectares of which 82% or 8,450 hectares are planted with oil palms. From the total planted area, approximately 84% or 7,083 hectares are mature while the remaining 16% or 1,367 hectares of the area are at the immature stage. The effect of El Niño dry weather had slowly tapered off and as a result, its FFB production recorded an increase of 7% to 133,336 mt (2016: 124,390 mt). The average yield per hectare for 2017 was higher at 18.82 mt/hectare as compared to 17.46 mt/hectare in 2016. As a result of the increase in yield and a higher FFB price by 2%, the plantation segment registered an increase in segmental profit of RM5.22 million (18%) from RM28.47 million in 2016 to RM33.69 million in 2017.

Oil Palm Age Profile



For productivity improvement, the Group will enhance its human capital development by providing comprehensive training to employees, and the mechanisation for key processes in the estates, including harvesting, in-field collection and crop evacuation.

The age profile of the developed area is shown below:

Particulars	Hectar	%
0 – 3 years (Immature)	1,367	16%
4 – 7 years (Young)	700	5%
8 – 18 years (Prime)	3,631	43%
> 19 years (Past Prime)	2,752	36%
Total	**8,450**	**100**

Milling Operations

The Group owns a palm oil mill, Prolific Yield Palm Oil Mill, with an operating capacity of 90 mt/hr. Together with external crop, a total of 334,278 mt (2016: 295,958 mt) of FFB was processed in 2017, representing an increase of 13% in processed crop volume as compared to 2016, primarily due to the Group's efforts in sourcing for new FFB suppliers. This Increase in FFB intake is the primary reason for the increase in segmental profit from RM2.26 million to RM5.0 million despite a decrease in extraction rates ("OER") from 20.00% in 2016 to 19.74 % in 2017.

FIVE-YEAR PLANTATION AND MILL STATISTICS

		Cepatwawasan Group Berhad				
		2017	2016	2015	2014	2013
Oil Palm						
Production:						
FFB	(mt)	133,336	124,390	144,216	156,288	145,100
Crude palm oil	(mt)	65,997	59,161	70,007	78,577	71,619
Palm kernel	(mt)	15,831	14,334	16,852	18,471	16,838
Average selling price:						
FFB	(RM/mt)	535	511	371	418	386
Crude palm oil	(RM/mt)	2,741	2,578	2,130	2,281	2,268
Palm kernel	(RM/mt)	2,474	2,490	1,553	1,628	1,628
Yield per matured hectare	(mt)	18.82	17.47	19.23	20.81	18.85
Oil extraction rate	%	19.74	20.00	20.72	20.50	20.36
Palm kernel rate	%	4.74	4.84	4.99	4.82	4.79
Planted Oil Palm Area						
(Weighted average hectares):		8,450	8,450	8,648	8,080	8,080
Mature		7,083	7,122	7,501	7,509	7,697
Immature		1,367	1,328	1,147	571	383
Total planted area		8,450	8,450	8,648	8,080	8,080

Power Plant Operations

The Group operates a young renewable energy division consisting of a Biomass power plant and a Biogas power plant in Sandakan, Sabah.

The 12 Megawatt Biomass power plant generates electricity using oil palm empty fruit bunches (EFB) as primary fuel with oil palm shells and mesocarp fibres as secondary fuels. The Group obtained the Feed-In Tariff (FiT) Approval from the Sustainable Energy Development Authority Malaysia (SEDA) on 12 May 2014 to sell renewable electricity to Sabah Electricity Sdn Bhd (SESB) at the FiT rate of RM0.3486/kWh for 16 years commencing from 1 January 2015.

The 3.8 Megawatt Biogas power plant generates electricity by capturing the methane gas from palm oil mill effluent (POME) and combusting the gas in biogas engines, thereby mitigating the emission of greenhouse gases. There is also Zero discharge to the river as the final discharge from the Biogas plant is released through a system of drip irrigation for land application. On 18 February 2015, the Group obtained the FiT Approval from SEDA to sell renewable electricity to SESB for 16 years commencing from 15 February 2017.

The segmental profit increased by RM0.12 million (1%) from profit before taxation of RM11.47 million to a profit before taxation of RM11.59 million, despite a once-off downward adjustment of RM2.51 million caused by a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements for the Biomass Plant, mainly due to increase in the export of electricity by 30% and higher EFB oil selling price by 36%. The 12MW Biomass Power Plant generated and exported 60,288 MWh (2016: 58,280 MWh) whereas the 3.8 MW Biogas Power Plant generated and exported 15,333 MWh (2016: Nil MWh) for this current year to SESB.

PROSPECT

For 2018, the Prospect of the Group continues to be dependent on the direction of palm oil prices and FFB production, and hence it continues to face challenges from fluctuating prices, increasing costs, manpower shortages and unpredictable weather conditions. Nevertheless, the Group will continue to improve its operational efficiencies to mitigate the effects of rising production costs through enhanced mechanization, implementation of competitive harvesting rates, effective nutrient management, and introduction of better planting materials.

Corporate Governance Statement

The Board of Directors ('Board') of Cepatwawasan Group Berhad ('Company') is committed to ensure that the highest standards of Corporate Governance are practised throughout the Group towards enhancing business prosperity and corporate accountability to realise long term shareholders' value for the Company's shares. The Board is working towards ensuring full compliance with principles and best practices of Malaysian Code on Corporate Governance that was implemented on 26 April 2017 ("MCCG").

The Board is pleased to report to shareholders on the manner the Group has applied the three (3) main principles known as Board Leadership and Effectiveness (Principle A), Effective Audit and Risk Management (Principle B) and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (Principle C) throughout the financial year ended 31 December 2017.

This Corporate Governance Statement should be read together with Corporate Governance Report 2017 which is available on the Company's website at www.cepatgroup.com.

Principle A: Board Leadership and Effectiveness

I Board Responsibilities

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

The Board assumes full responsibilities for the overall performance of the Company and its subsidiaries by setting the policies, establishing goals and monitoring the achievement of the goals through strategic action plans and careful stewardship of the Group's assets and resources. It focuses on financial performance and crucial business issues, like principal risks and their management, succession planning for senior management, investor relations programme and shareholders communication policy, systems for internal control and compliance with laws and regulations.

In discharging their responsibility, the Board considers all aspects of the operations of the Group and in particular the following areas:

- Reviewing and adopting a strategic business plan for the Group.
- Overseeing the conduct of the business of the Group.
- Identifying and putting in place systems to manage any principal risk.
- Succession planning for senior management.
- Developing and implementing investor relations programme or shareholder communications policy.
- Reviewing internal control and management information systems.

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

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

Principle A: Board Leadership and Effectiveness (cont'd)

I Board Responsibilities (cont'd)

The Board currently consists of Six Directors as at the date of this report:-

Executive Chairman
Tan Sri Dr Mah King Thian @ Mah King Thiam

Alternate Director to Tan Sri Dr Mah King Thian @ Mah King Thiam
Dr Jordina Mah Siu Yi

Managing Director
Dato' Seri Mah King Seng

Independent Non-Executive Directors
Chua Kim Yin
Chan Kam Leong
Choong Pak Wan

The Chairman and Managing Director have many years of experience in the operations of plantations and palm oil mill. The Non-Executive Directors are credible professionals of calibre, who play key supporting roles by contributing their knowledge, guidance and experience towards making independent judgement on issues of strategies, performance, resources and standards of conduct. The Executive and Non-Executive Directors together ensure that the strategies proposed by the management are fully discussed and examined and the long-term interests of the shareholders, employees, suppliers and customers are taken into account.

The roles of the Chairman and Managing Director are separate and each has a clearly accepted division of responsibilities to ensure a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board while the Managing Director has overall responsibilities in the implementation of Board policies and decisions as well as some of the Group's day-to-day operations.

The Chairman is an Executive Director and remains so after taken into consideration of his vast experience in managing the Group's main business in plantations and palm oil mill which would enable him to provide the Board with a diverse set of experience, expertise and skills to better manage and run the Group.

The Board is supported by qualified and experienced company secretaries who facilitate overall compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR") and other relevant laws and regulations.

Both Company Secretaries of the Company are qualified to act as company secretary under section 235 of the Companies Act 2016.

The Company Secretaries play important roles in ensuring adherence to the Board policies and procedures from time to time.

The Company Secretaries carry out the following tasks:
- Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting ("AGM")and Extraordinary General Meeting ("EGM");

Principle A: Board Leadership and Effectiveness (cont'd)

I Board Responsibilities (cont'd)

- Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc and all relevant announcements are announced to Bursa Malaysia on a timely basis;
- Ensure that deliberations at the meetings are well captured and minuted, and subsequently communicated to the relevant Management personnel for necessary actions;
- Ensure that the Company complies with the MMLR and the requirements of the relevant authorities;
- Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;
- Keep the Directors and principal officers informed of the closed period for trading in the Company's shares; and
- Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents.

The Board meets on a quarterly basis and additionally as and when required. All Directors are provided with an agenda and a set of board papers issued at a reasonable period from the date of Board Meetings so as to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary.

In addition, there is a schedule of matters reserved specifically for the Board's decision, including amongst others, the approval of corporate policies and procedures, Group operational plan and budget, acquisitions and disposals of undertakings and properties that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

In carrying out their duties, the Directors have complete access to all staff for information pertaining to the Group's affairs. The Directors also have full access to advice and services of the Company Secretary. Where necessary, the Directors engage independent professional for advice at the Group's expense to enable them to discharge their duties with full knowledge of the cause and effect.

The Board also ensures that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter. Upon conclusion of the meeting, the Board also ensures the minutes are circulated in a timely manner.

2.0 There is demarcation of responsibilities between the Board, Board Committees and Management. There is clarity in the authority of the Board, its Committees and individual Directors.

The Board concurred that the Board Charter ("Charter") should be reviewed and updated in accordance with the needs of the Company and upon any new regulation to be implemented.

The Board has established clear functions reserved for the Board and those delegated to Management in the Charter which serves as a reference point for Board's activities. The Charter provides guidance for Directors and Management on the responsibilities of the Board, its Committees and requirements of Directors and it is subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance. Salient terms of the Charter are made available at the Company's website at www.cepatgroup.com.

Principle A: Board Leadership and Effectiveness (cont'd)

I Board Responsibilities (cont'd)

3.0 The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The Board, Management, Employees and other Stakeholders are clear on what is considered acceptable behaviour and practice in the Company.

The Company has also formalised a set of ethical standards through a Code of Conduct, which is subject to periodical review, to ensure Directors practise ethical, business like and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. The Board would review the said Code of Conduct when necessary. The Code of Conduct is published on the Company's website at www.cepatgroup.com.

Along with good governance practices and in order to enhance transparency and accountability, the Board has established and put in place the following policies and procedures, full details of which are made available at the Company's website at www.cepatgroup.com:
- Board Charter and Code of Conduct
- Shareholder's Right relating to General Meeting
- Whistleblowing Policy and Procedure
- Sustainability Policy

II Board Composition

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

The Company has complied with the requirement of paragraph 15.02 of the MMLR whereby majority of the Board of Directors are Independent Non-Executive Directors. The Board currently consists of two (2) Executive Directors, one (1) Alternate Director and three (3) Independent Non-Executive Directors.

The Group is led and controlled by an experienced Board, many of whom have vast knowledge of the business. There is a clear division of responsibility between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority. The management of the Group's business and implementation of policies and day-to-day running of the business is delegated to the Executive Directors. The Independent Non-Executive Directors provide unbiased and independent views to safeguard the interests of shareholders.

The Board considers that the current size of the Board is adequate and facilitates effective decision-making.

The Nomination Committee has reviewed the present composition of the Board and the three (3) main existing board committees and is satisfied that they have adequately carried out their functions within their scope of work.

The Company does not have a policy on the tenure of Independent Director, however, the Company recognises the MCCG's recommendation that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, the Independent Director may continue to serve on the Board as an Independent Director subject to assessment by the Board and shareholders' approval at the general meeting.

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)

The Company would apply the two-tier voting process in seeking shareholders' approval to retain Independent Director beyond twelve (12) years of tenure of office.

The Board recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensure that the Independent Directors are capable to exercise independent judgment and act in the best interests of the Group.

The Independent Directors of the Company fulfilled the criteria of "Independence" as prescribed by MMLR. They act independently of management and are not involved in any other relationship with the Group that may impair their independent judgment and decision making.

Each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transactions. Such a situation may arise from external associations, interests or personal relationships.

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 has developed the criteria to assess independence and formalised the current independence assessment practice.

Each independent director has provided their own declaration of Director's Independence to the Board. The Board carried out the assessment of the Independent Directors at its meeting held on 1 November 2017. Each Independent Director abstained from deliberation on his own independence assessment. The Board was satisfied that the Independent Directors still maintain their independence.

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment on Mr. Chua Kim Yin who has served as Senior Independent Director of the Company for a cumulative term of more than twelve (12) years.

Besides being an Associate Member of Certified Practising Accountant Australia, Mr. Chua Kim Ying as a senior Partner in a Sabah law firm has good knowledge and experience relating to the laws in Sabah where the Group operates. He has also gained vast experience in a diverse range of business matters from his profession. He has been with the Company for more than twelve (12) years and is well versed with its business operations. The Board is of the opinion that he has brought and will continue to bring positive contributions to the Group through his area of expertise and his understanding of its business operations. Thus, the Board recommends him to continue to act as Independent Director of the Company.

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Mr. Chan Kam Leong and Mr Choong Pak Wan who has served as Independent Director of the Company for a cumulative term of more than nine (9) years.

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)

Mr. Chan Kam Leong has more than 45 years of experience in civil and structural engineering consultancy, being a winner of Tan Sri Hj Yusoff Price for publishing an outstanding paper for The Institution of Engineers, Malaysia. He has a good understanding of the Company's operations and has always provided valuable technical guidance. He has been with the Company for more than nine (9) years and is familiar with its business operations. The Board is of the opinion that he has brought and will continue to bring position contributions to the Group through his area of expertise and his understanding of its operations and recommends him to continue to act as Independent Director of the Company.

Mr. Choong Pak Wan has more than 40 years of experience in property development and construction, and his position as Project Director in an established architecture firm has contributed positively to the Board in the area of project planning and implementation. He has been with the Company for more than nine (9) years. The Board is of the opinion that he has brought and will continue to bring position contributions to the Group through his area of expertise and his understanding of the Company's operations and thus, recommends him to continue to act as Independent Director of the Company.

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

The Constitution of the Company requires that all Directors shall be subject to re-election by shareholders at the first opportunity after their appointment and that at least one third (1/3) or the number nearest to one third (1/3) of the Directors, be subject to re-election thereafter by rotation at least once in every three (3) years at the Annual General Meeting. This provides an opportunity for shareholders to renew their mandates. Newly appointed directors shall hold office only until the next annual general meeting and shall be eligible for re-election. The re-election of each director is voted separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and their shareholdings in the Group of each Director standing for re-election are furnished in the Annual Report.

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

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

(i) The re-election of the two (2) directors, namely Tan Sri Dr Mah King Thian @ Mah King Thiam and Mr. Chua Kim Yin, who are due for retirement and eligible for re-election pursuant to Article 76 of the Company's Constitution at the forthcoming AGM.

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)

(ii) The retention of Mr. Chua Kim Yin, Mr. Chan Kam Leong and Mr. Choong Pak Wan whose tenure of service as an independent Director has exceeded a cumulative term of nine (9) years to continue to act as Independent Director of the Company

The profiles of these Directors are set out on pages 8 to 10 of the Annual Report.

There are no changes to the composition of the Board during the financial year under review.

The Board acknowledges the importance of Boardroom diversity. A diversity policy has been established by the Board. The Board endeavours to have at least one woman participate on the Board at all times. The Board endeavours to have diversity of the Board as well as its workforce in terms of experience, qualification, ethnicity and age.

During selection of new directors in the future, any list of proposed candidates to the Board shall consist of woman candidate, wherever reasonably possible. The Nomination Committee is responsible in ensuring that diversity objectives are adopted in board recruitment, board performance evaluation and succession planning processes.

In view of the above, Dr Jordina Mah Siu Yi has been appointed on 7 March 2018 as Alternate Director to Executive Chairman, Tan Sri Dr Mah King Thian @ Mah King Thiam. Her appointment enables the Company to comply with its Boardroom diversity of having at least a female director and its succession planning.

All directors of the Company do not hold more than five directorships under paragraph 15.06 of the MMLR.

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

The date scheduled for Board meetings, Board Committee meetings and Annual General Meeting are set in advance and circulated to the Directors to facilitate the Directors' time planning. The Directors' Circular Resolutions are used for determination of urgent matters arising in between meetings. In accordance with the Constitution of the Company, a DCR signed by a majority of the Directors, whether or not present in Malaysia, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.

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)

The Board held four (4) Board Meetings during the financial year. The details of attendance of each individual Director are as follows:-

Name	Meetings attended
Tan Sri Dr Mah King Thian @ Mah King Thiam	4/4
Dato' Seri Mah King Seng	4/4
Chua Kim Yin	4/4
Chan Kam Leong	4/4
Choong Pak Wan	4/4

The Company recognises the importance of continuous professional development and training for its directors. The Board as a whole has undertaken an assessment of the training needs of each director after taking into account the training programmes the Directors had attended in the past three years and the qualification, role, responsibilities, knowledge and experience of The Company recognises the importance of continuous professional development and training for its directors. The Board as a whole has undertaken an assessment of the training needs of each director after taking into account the training programmes the Directors had attended in the past three years and the qualification, role, responsibilities, knowledge and experience of the respective Directors. The proposed training programmes encompass areas related to the industry or businesses of the Group, governance, risk management and the relevant regulations related to the Group.

During the financial year ended 31 December 2017, the following training programmes and seminars were attended by the following Directors:

- Briefing on New Companies Act 2016 attended by Tan Sri Dr Mah King Thian @ Mah King Thiam, Dato' Seri Mah King Seng and Chan Kam Leong;
- Postgraduate study on oil palm renewable energy businesses undertaken by Tan Sri Dr Mah King Thian @ Mah King Thiam
- Briefing on Starken S5 Blocks 023-008-2182 "Eco-Friendly Building Material" and G.I. roof truss system fabrication attended by Choong Pak Wan;
- Talk on understanding of water Reticulation System Design and Seminar on Water Supply Product Technology in Conjunction with Water Engineers Conference 2017 attended by Chan Kam Leong;
- Illustration and implementation of MPERS in practice, Tax audits and investigation- the legal and practical issues, GST post implementation- practical issues and GST codes and Tax issues facing property developers and property investors attended by Chua Kim Yin;
- CPO Hedging by OCBC and Palm Oil Master Trader Tutorial attended by Dato' Seri Mah King Seng

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 Nomination Committee consists of three (3) members, all of whom are Independent Non-Executive Directors and its Chairman is a Senior Independent Director appointed by the Board.

The functions of the Nomination Committee are as follows:

- Recommend to the Board the candidates for all directorships to be filled by the shareholders or the Board.
- Recommend to the Board the Directors to fill the seats on Committees of Directors.
- Review the required mix of skills and experience and other qualities including core competencies which Non-Executives should bring to the Board.
- Assess the effectiveness of the Board as a whole, the Committees of Directors and the contribution of each Director.
- Review on annual basis the term of office of each Audit Committee members and performance of the Audit Committee and each of its members.

The Board has established a nomination process of board members to facilitate and provide a guide for the Nomination Committee to identify, evaluate, select and recommend to the Board the candidate to be appointed as a director of the Company.

The nomination and election process of board members can be found at the Company's website at www.cepatgroup.com.

The director who is subject to re-election at next Annual General Meeting is assessed by the Nomination Committee before recommendation is made to the Board and shareholders for the re-election. Appropriate assessment and recommendation by the Nomination Committee is based on the yearly assessment conducted.

As all members of the Nomination Committee are Independent Directors, the assessment of their independence will be conducted by the Board as a whole.

The Nomination Committee will conduct annual assessment on the Board and the Board Committees.

The assessment and evaluation is properly documented.

The summary of the activities of the Nomination Committee during the financial year are as follows:

- Reviewed the mix of skill and experience and other qualities of the Board.
- Assessed the effectiveness of the Board as a whole, the Board committees and the Directors.
- Discussed the Company's Directors' retirement by rotation.
- Reviewed the term of office of each of the Audit Committee members and performance of the Audit Committee and each of its members.

Principle A: Board Leadership and Effectiveness (cont'd)

II Board Composition (cont'd)

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors. (cont'd)

The Nomination Committee also assessed the performance of the members of Audit Committee and their term of office based on a set criteria such as their participation and contribution at audit committee meetings.

During the financial year ended 31 December 2017, the Nomination Committee held one (1) Nomination Committee Meeting with the attendance of each member as follows:

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

Based on the current position and practices of the Company, the Nomination Committee upon its review on the composition of the Board on 1 November 2017, was satisfied that the Board structure, size, composition, mix of skills and qualities of the Directors were appropriate and conformed to the best practices in the MCCG.

Save for the Nomination Committee members who are also members of the Board and have abstained from assessing their own individual performance as Directors of the Company, each of the Nomination Committee Members views that all the Directors have good personal attributes and possess sufficient experience and knowledge in various fields that are vital to the Company's industry. On the Board evaluation, the Committee agreed that the Board has discharged its stewardship duties and responsibilities towards the Company effectively. In general, the Board and Board Committees were functioning effectively as a whole having indicated a high level of compliance and integrity.

III Remuneration

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

Remuneration Committee

The Remuneration Committee consists of three members, namely as follows:-

Name		Position
Chan Kam Leong	(Independent Non-Executive Director)	Chairman
Chua Kim Yin	(Independent Non-Executive Director)	Member
Choong Pak Wan	(Independent Non-Executive Director)	Member

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

Principle A: Board Leadership and Effectiveness (cont'd)

III Remuneration (cont'd)

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

The responsibilities and functions of the Remuneration Committee include the following:

- To recommend to the Board the remuneration packages of the Executive Directors and Managing Director of the Company.

The Remuneration Committee recommends remuneration packages which are sufficient and necessary to attract, retain and motivate Executive Directors to run the Company. The remuneration of Non-Executive Directors is linked to their experience and level of responsibilities undertaken by them and is to be approved by shareholders.

The Board has established a remuneration policy to facilitate the Remuneration Committee to review, consider and recommend to the Board for decision the remuneration packages of the Executive Directors and Managing Director.

The remuneration policy and procedure can be found at the Company's website at www.cepatgroup.com.

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

The aggregate remuneration paid or payable to all Directors of the Company for the financial year ended 31 December 2017 is as follows:-

	Company					
	Salaries RM'000	**Fees RM'000**	**Bonus RM'000**	**Allowance RM'000**	**EPF RM'000**	**Total RM'000**
Executive						
Tan Sri Dr Mah King Thian @ Mah King Thiam	315	-	79	-	47	441
Dato' Seri Mah King Seng	315	-	79	-	47	441
Sub total	630	-	158	-	94	882
Non Executive						
Chua Kim Yin	-	53	-	-	-	53
Chan Kam Leong	-	53	-	-	-	53
Choong Pak Wan	-	53	-	-	-	53
Sub total	-	159	-	-	-	159
Total	630	159	158	-	94	1,041

Principle A: Board Leadership and Effectiveness (cont'd)

III Remuneration (cont'd)

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

	Group					
	Salaries RM'000	**Fees RM'000**	**Bonus RM'000**	**Allowance RM'000**	**EPF RM'000**	**Total RM'000**
Executive						
Tan Sri Dr Mah King Thian @ Mah King Thiam	629	-	158	30	94	911
Dato' Seri Mah King Seng	629	-	158	30	94	911
Sub total	1,258	-	316	60	188	1,822
Non Executive						
Chua Kim Yin	-	53	-	-	-	53
Chan Kam Leong	-	53	-	-	-	53
Choong Pak Wan	-	53	-	-	-	53
Sub total	-	159	-	-	-	159
Total	1,258	159	316	60	188	1,981

The Company has on 30 September 2004 obtained a shareholders' mandate on payment of Director fees of not exceeding RM240,000 per annum.

Remuneration paid to the three (3) Senior Management who are not Directors of the Company for the financial year ended 31 December 2017 are as follows:-

	Group	Company
Key Senior Management		
From RM50,000 to RM100,000	1	-
From RM200,000 to RM300,000	1	1
From RM300,000 to RM400,000	1	1

The remuneration of these three (3) Senior Management of the Company disclosed above is on an aggregate basis. At this particular juncture, the Board is of the opinion that the disclosure of the Senior Management personnel's names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the Group due to confidentiality and security concerns.

Principle B: Effective Audit and Risk Management

I Audit Committee

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

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

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

- In preparing the financial statements, the Directors have selected and applied consistently appropriate accounting policies and made reasonable and prudent judgments and estimates where applicable.
- The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.
- The Board is satisfied that it has met its obligation to present a balanced and comprehensive assessment of the Company's position and prospects in the Directors' Report and the Financial Statements of this Annual Report.

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

There are no recurrent related party transactions transacted by the Company and its subsidiaries during the financial year.

At an Audit Committee meeting held on 26 February 2018, the Audit Committee assessed the suitability and independence of the external auditors based on the criteria set forth in the policy and procedure on evaluation of external auditors adopted in 2013. In its assessment, the Audit Committee considered several factors, which included adequacy of experience and knowledge of the relevant accounting standards, ability to meet deadlines, quality and quantity of human resources used to perform the assigned audit, clarity of presentations and quality of reports produced and independence of Messrs. Ernst & Young.

Principle B: Effective Audit and Risk Management (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)

Messrs. Ernst & Young confirmed that they have been independent in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants, throughout their engagement via Audit Planning Memorandum presented to the Audit Committee at a meeting held on 1 November 2017.

The Audit Committee is satisfied with the performance, technical competency and independence of the external auditors. Thus, the Audit Committee recommended the appointment of the external auditors and the Board at its meeting held on the same day approved the Audit Committee's recommendation for the shareholders' approval to be sought at the forthcoming Eighteenth Annual General Meeting.

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

Fee Incurred RM'000	Audit fee RM'000	Non Audit Fee
The Company	59	6
The Group	317	180

The non-audit fees were in respect of tax compliance works.

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

II Risk Management and Internal Control Framework

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

The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework to achieve its objectives within an acceptable risk profile as well as safeguarding the interest of stakeholders and shareholders and the Group's assets.

The key features of the Risk Management Framework are presented in the Statement on Risk Management and Internal Control of the Company as set out on page 44 to 47 of this Annual Report.

Principle B: Effective Audit and Risk Management (cont'd)

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

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

The internal audit function is outsourced to Crowe Horwath Consultants Sdn. Bhd. which reports directly to the Audit Committee.

The Statement on Risk Management and Internal Control furnished on page 44 to 47of the Annual Report provides an overview on the state of internal controls within the Group, in its effort to manage risk. The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures of material information relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders.

On this basis, the Board has formalized pertinent policies and procedures not only to comply with the disclosure requirements as stipulated in the MMLR, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

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

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

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

I Communication with Stakeholders

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

The Company has implemented a shareholder communications policy to ensure effective communication with its shareholders and other stakeholders.

Communication between the Company and its shareholders are done in the following manner:

a. Dialogue between Companies and Investors

The annual report, quarterly reports and various mandatory announcements are the main channel of information by the Company of its financial performance, operations and corporate developments.

The Company's website at www.cepatgroup.com contains vital information concerning the Group which is updated on a regular basis and shareholders are able to put questions to the Company through the website.

The Board considers it essential that investors are kept informed of all the latest financial result and developments of the Company and where appropriate, will provide disclosure that is in the best interest of the Company and also of the shareholders. All such reporting information can be obtained from the websites of the Company and Bursa Malaysia Securities Berhad.

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (cont'd)

I Communication with Stakeholders (cont'd)

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. (cont'd)

b. The Annual General Meeting

The Annual General Meeting is an important event for the Company as the Board has the opportunity to have a dialogue with the shareholders to present the results and performance of the Group and to address all questions that may arise. Suggestions and comments by shareholders will be noted by the Board for consideration.

II Conduct of General Meetings

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

The Annual General Meeting is the principal forum for dialogue and interaction with shareholders. The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both the individual and institutional investors on all aspects relevant to the Company at the Annual General Meeting. It is also 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.

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.

Additional Compliance Information

In compliance with the Listing Requirements, the following additional information is provided:

a. Utilisation of Proceeds
This was not applicable during the financial year.

b. Material Contracts
There was no material contract entered into by the Company and its subsidiaries involving Directors and substantial shareholders either subsisting at the end of the financial year ended 31 December 2017 or entered into since the previous financial year.

c. Recurrent Related Party Transactions
There are no recurrent related party transactions transacted by the Company and its subsidiaries except for those disclosed under related party transactions on page 150.

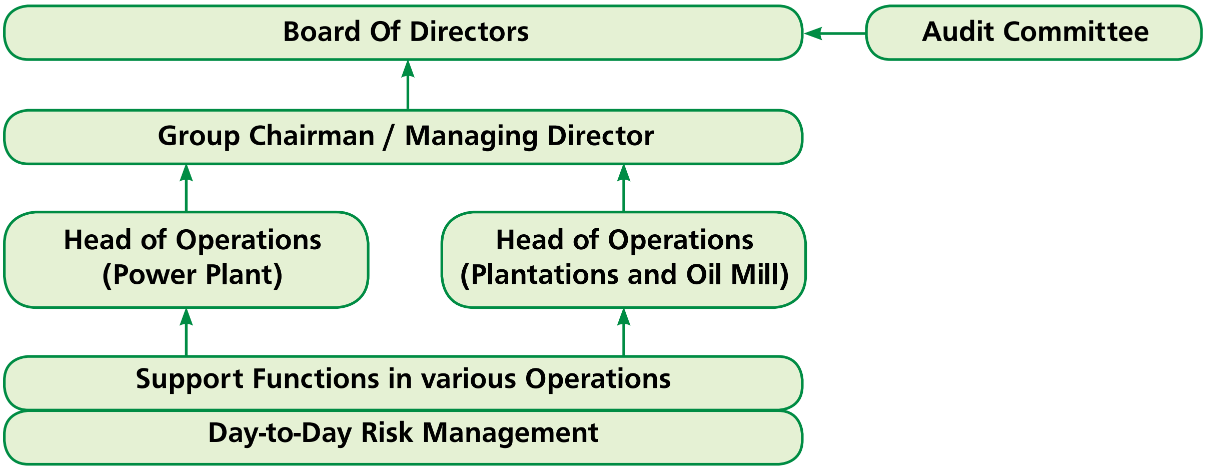
Sustainability Statement

The Group recognises the values of Sustainability and Corporate Social Responsibility ("CSR"), both of which are integral to generate and sustain short and long term values for the Group and its stakeholders.

Our commitment on sustainability encompasses on-going efforts to maintain a healthy balance between economic, social and environmental responsibilities, and interests towards our stakeholders for a better future. Our CSR activities focus on creating positive impact in the society we operate.

Sustainability Governance

Our Governance Structures



Our sustainability statement for the year ended 31 December 2017 focuses on the environment, society, work place and the market place.

ENVIRONMENT

The Group strives to achieve a sustainable long term balance between meeting its business goals and preserving the environment. The Group endeavors to ensure that its operations are environmentally responsible and that adequate steps are taken to protect and effectively manage risks that may adversely impact the surrounding environment.

The Group actively recycles and manages waste, monitors and minimizes its effluents and sources of pollutions. The Group generates renewable energy and exports green power to the electricity grid from oil palm waste.

Our palm oil production is handled according to MPOB GAP guidelines and we prepare our business activities towards attaining the Malaysian Sustainable Palm Oil certification.

Recycle of Waste Via Palm-based Bio-fertilizer from Decanter Cake

Biomass Power Plant

The Group is operating a 12 Megawatt Biomass Power Plant in Sandakan, Sabah. The plant generates electricity using oil palm empty fruit bunches (EFB) as primary fuel with oil palm shells and mesocarp fibres as secondary fuels. The Group obtained the Feed-in Approval from SEDA on 12 May 2014 to sell renewable electricity to Sabah Electricity Sdn Bhd (SESB).

Biogas Power Plant

The Group operates a biogas power plant that generates electricity by capturing the methane gas from palm oil mill effluent (POME), thereby mitigating the emission of greenhouse gases. There is also Zero discharge to the river as the final discharge from their biogas plant is through a system of drip irrigation for land application. On 18 February 2015, the Group obtained the Feed-In Approval from SEDA to sell renewable electricity to SESB.

WORKPLACE

The Group believes that its employees are one of its greatest assets and they are major contributors. Therefore, the Group believes in continuing development in technical and non-technical skills, performance management and the growth of its people.

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

The Group is committed to providing a safe and healthy working environment for all employees. To ensure the efficiency and safety of all operations within the Group, safety audits are carried out periodically to ensure full compliance with all the relevant legislative requirements. A comprehensive safety plan has been established with the twin objectives of "zero accidents" and public safety. Workers at work place are provided with safety equipment and working procedures. The codes of health and safety practices and procedures are to be strictly adhered by all the parties concerned.

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

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

SOCIAL

The Group is committed to the continuous development and expansion of its Corporate Social Responsibility ("CSR") programme as part of its sustainability initiatives.

The Group cares about the well-being of the local communities, and believes in sharing and giving back to the communities for their improvement in overall well-being and for promoting growth within the communities. The Group contributes to the local community through Dato' Seri Mah Pooi Soo Benevolent Fund ("the Fund") which is a charitable organisation funded by the Group.

The Fund is dedicated to the advancement of education and religion, relief of poverty and other purposes beneficial to the community. The Fund has donated an Old Folks Home and the Town Library in Teluk Intan, a Mosque in Behrang, a library in Hulu Bernam, land for a new Tamil school at Bandar Behrang 2020, and the Perak Orang Asli Educational Excellence Centre and the Perak Orang Asli Community Hall in Simpang Pulai, Perak.

The Group is working with the Borneo Child Aid Society, Sabah (HUMANA) in Sandakan to provide basic education and care for children of foreign plantation workers, who are unable to enrol in the Malaysian national schools, through the Cepatwawasan Humana Education Resource Centre (CHERC). The CHERC opened in 2009 with its first intake of 50 pupils. Its current enrolment is around 200 and more than 300 students have graduated so far. The Group has constructed a hostel that can accommodate 40 to 50 students on a "gotong royong" basis with the local community in Kota Marudu, Sabah.. The Group has also built a new learning centre for the children of foreign plantation workers, who are unable to enrol in Malaysian national schools, at its estate in Beaufort, Sabah.

MARKET PLACE

Our business conduct shall be guided by honesty, integrity and a commitment to excellence. We are committed to promoting responsible practices among our business partners, showing care for the wellbeing of our customers, and upholding good corporate governance to meet the expectations of our investors. The Group practises the principles of good corporate governance and observes the rules and regulations of the law. Our commitment to good corporate governance and the continuous improvement on corporate governance is further elaborated in the Statement on Corporate Governance of this Annual Report.

Our annual general meeting provides a useful interactive forum for direct engagement with our valued shareholders. Relations with investors and shareholders are managed systematically and professionally, with an underlying commitment to openness and objectivity. The Company's website at www.cepatgroup.com contains vital information concerning the Group which is updated on a regular basis, and shareholders are able to put questions to the Company through the email on the website.

Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- selected appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- stated whether applicable accounting standards have been followed and made a statement to the effect in the financial statements, subject to any material departures being disclosed and explained in the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the parovisions of the Companies Act, 2016 and the applicable approved accounting standards in Malaysia. They are responsible for taking reasonable steps to safeguard the assets of the Company and Group, for the prevention and detection of fraud and other irregularities.

Audit Committee Report

COMMITTEE MEMBERS

The members of the Audit Committee as at the date of this report are as follows:

Chairman
Mr. Chua Kim Yin
(Senior Independent Non-Executive Director)

Committee Members
Mr. Chan Kam Leong
(Independent Non-Executive Director)
Mr. Choong Pak Wan
(Independent Non-Executive Director)

The terms of reference of Audit Committee which had been reviewed and revised by the Directors at a Board meeting held on 26 February 2018, can be found at the Company's website at www.cepatgroup.com.

MEETINGS

The Audit Committee members held four (4) meetings during the financial year ended 31 December 2017.

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

Member	Meetings attended
Chua Kim Yin	4/4
Chan Kam Leong	4/4
Choong Pak Wan	4/4

Members of the senior management were invited to attend these meetings as and when necessary. The external auditors have also attended the meetings by invitation.

WORKS

The summary of the works of the Audit Committee in the discharge of its functions, duties and responsibilities for the financial year included the following:-

(i) Reviewed the scope of work and audit plan of the external auditors.

(ii) Reviewed with the external auditors, the results of their audit, the audit report and internal control recommendations in respect of improvements in the internal control procedures noted in the course of their audit.

(iii) Reviewed the adequacy of the internal audit scope and plan, and the findings identified by the internal audit function.

WORKS (cont'd)

(iv) Reviewed the audited financial statements of the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 2016 and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.

(v) Reviewed the compliance of the Company with the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.

(vi) Reviewed the unaudited quarterly Group results before recommending to the Board for approval for announcement to Bursa Malaysia Securities Berhad.

(vii) Reviewed the related party transactions entered into by the Group.

(viii) Reviewed and recommended to the Board the re-appointment of external auditors and their audit fees.

(ix) Reviewed the audit committee report and statement on risk management and internal control before recommending to the Board for approval for inclusion in the Annual Report.

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function. The role of the internal audit function, which reports directly to the Audit Committee, is to support the Audit Committee by providing it with independent and objective reports on the adequacy and effectiveness of the system of internal control and the extent of compliance with the procedures and by recommending ways to rectify shortfall and improve the existing control environment in relation to the Group's operations. It submits its findings and recommendations to the Audit Committee and senior management of the Group.

The internal audit carried out during the year covered the following business processes of the Power Plant division:-

I Product Revenue Cycle – Sludge/Scum Oil Sales .

II Material and Equipment Procurement System and Repairs and Maintenance System Cycle.

The activities carried up include, inter alia, the following:-

- Map out the business processes
- Perform a system of controls evaluation on high-risk areas within the business processes; and
- Review the overall control environment where there is a significant amount of implementation

The audit report incorporating the internal auditors' findings and recommendations with regard to the system operations and control weaknesses noted in the course of their audit and the management's responses thereto were subsequently submitted to the Audit Committee for their attention.

The Internal Audit adopts a risk-based approach with focus on effective risk management practices and is guided under International Professional Practices Framework.

Statement on Risk Management and Internal Control

The Board of Directors ("Board") recognises the importance of a sound risk management framework and internal control system to safeguard shareholders' investments and the Group's assets.

The Board's Statement on Risk Management and Internal Control outlines the nature and scope of internal control of the Group during the financial year.

BOARD'S RESPONSIBILITY

The Board affirms its responsibility for the adequacy and effectiveness of the Group's system of internal control. This includes reviewing the adequacy and integrity of financial, operational and compliance controls, and risk management procedures.

In view of the limitations that are inherent in any system of internal control, the Board ensures that this system is designed to manage the Group's risks within an acceptance risk profile, rather than eliminate the risk of failure to achieve corporate objectives of the Group. Accordingly, the system can provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against operational failures, fraud or financial loss.

Following the publication of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This ongoing process which includes updating the system of internal controls when there are changes in the business environment or regulatory guidelines is reviewed by the Board. The Board is of the view that the risk management and the system of internal controls in place for the year under review and up to the date of the issuance of the financial statements are sound and sufficient to safeguard the shareholders' investments and the Group's assets.

RISK MANAGEMENT AND INTERNAL CONTROL

The Management has reviewed the Group's internal control system and formalised the risk management practices to comply with the Malaysian Code on Corporate Governance 2017 (the "Code"). In consequence, a formal risk management framework has been established to ensure that structured and consistent approach and methods are practised in the ongoing process of identifying and assessing various critical risks that are considered likely to affect the profitable operation of the business units in the Group. These include operational risk, market risk, legal risk and environmental risk. After the review and taking into consideration of the nature of the Group's business, the Directors are of the view that the Group is not materially exposed to legal and environmental risks and therefore have concluded to focus on the operational risks relevant to each of its business segments. Although there is exposure to market risk as a result of price fluctuations in the palm oil commodity market, the Directors consider these as movement in market forces inherent in the palm oil industry in which the Group operates.

RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

The Board is supported by the Group Risk Management Committee that comprises the Executive Chairman, Managing Director, and senior management in overseeing the risk management efforts within the Group. The Management has worked within the approved and adopted framework for principal risks affecting the Group's strategic business objectives throughout the year. Additional reviews will be carried out as and when required annually. The ongoing implementation is monitored by the Management and is reported to the Board. The outcome of such risk management efforts is a database of all major risks, and their controls or action plans to mitigate such risks were compiled to produce a divisional risk profile for each business segment.

The Group has also implemented a system of internal controls as set out in the Operations Manual. The Board will review from time to time and update the financial authority limits set out therein as and when necessary. Such system of internal controls and financial authority limits serve as a check and balance mechanism on the Group's daily operations.

INTERNAL AUDIT FUNCTION

The Board recognises that effective monitoring on a continuous basis is a vital component of a sound internal control system. In this respect, the Board through the Audit Committee regularly receives and review reports on internal control from its internal audit function.

The internal audit function is outsourced to Crowe Horwath Consultants Sdn. Bhd. which reports directly to the Audit Committee. The scope of work covered by the internal audit function is determined by the Audit Committee after careful consideration and discussion of the audit plan with the Board. Observations from internal audits were presented to the Audit Committee together with management's response and proposed action plans for its review. The action plans were then followed up during subsequent internal audits with implementation status reported to the Audit Committee. The costs incurred for the internal audit function for the financial year ended 31 December 2017 totalled RM20,000.

A number of minor internal control weaknesses were identified during the internal audit for the current year, all of which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a disclosure in the Group's Annual Report.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

i. BOARD MEETINGS

The Board meets at least once quarterly and has a formal agenda on matters for discussion. The Chairman, together with the Executive Director, leads the presentations of board papers and provides comprehensive explanation of pertinent issues. The Board is also kept updated on the Company and the Group's activities and operations on a regular basis including any material issues. Proposals for major capital expenditure and investment by the Group are reviewed and approved in these Board meetings.

ii. AUDIT COMMITTEE

The Audit Committee of the Group reviews the annual internal audit plan and any internal control issues identified by the internal auditors, the external auditors, regulatory authorities and Management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. The Audit Committee also reviews the internal audit functions and quality of internal audits. The Audit Committee holds discussions on the actions taken on internal control issues identified in the reports prepared by the internal auditor and such discussions are minuted in the Audit Committee meetings. The minutes of the Audit Committee meetings are then tabled to the Board.

iii. ORGANISATIONAL STRUCTURE

The Group's organisational structure is formed with formally defined reporting lines and authorities to facilitate quick response to changes in the evolving business environment and accountability for operational performance.

To identify, discuss and resolve business and operational issues, weekly management meetings at head office as well as scheduled meetings at operation sites are held. Regular visits to operating units by the Managing Director and senior management are also conducted whenever appropriate. The EXCO is aware of the significant issues identified in those meetings and visits, and when necessary the EXCO shall be involved in resolving those issues. The Group has been restructured in such a way that duties are properly segregated to ensure safe custody of the Group's assets and to provide clear and transparent reporting lines.

iv. PERFORMANCE MANAGEMENT FRAMEWORK

Management reports are generated on a monthly basis to facilitate the Board's review of the Group's financial and operating performance. The review covers areas such as financial and non-financial key performance indicators and variances between budget and operating results.

The Board has reviewed and approved the Group's budget for the next financial year. The budgeting process involves the preparation of budgets by individual operating units, which are then reviewed and approved at management level and ultimately by the Board. The Management will monitor the actual performance against the Group's budget on a monthly basis. Significant variances are identified, investigated and reported.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance from the Managing Director and Group Accountant that the Group's risk management and internal control system are operating adequately and effectively in all material aspects. It is of the view that the risk management and internal control system is satisfactory, and there are no material internal control failures nor have any of the reported weaknesses resulted in material losses or contingencies during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

In accordance with paragraph 15.23 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that caused them to believe that the Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal controls of Cepatwawasan Group Berhad.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 26 February 2018.

Directors' Report

Audited financial statements and other financial information

DIRECTORS

Tan Sri Dr Mah King Thian @ Mah King Thiam	(Executive Chairman)
Dato' Seri Mah King Seng	(Managing Director)
Chua Kim Yin	(Senior Independent Non-Executive Director)
Chan Kam Leong	(Independent Non-Executive Director)
Choong Pak Wan	(Independent Non-Executive Director)
Dr Jordina Mah Siu Yi	(Alternate Executive Director)

SECRETARIES

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

INDEPENDENT AUDITORS

Ernst & Young

PRINCIPAL BANKERS

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

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Directors' Report (cont'd)

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

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

The principal activities and other information relating to the subsidiary companies are stated in Note 17 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit net of tax	31,137	46,933
Profit attributable to:		
Owners of the parent	27,683	46,933
Non-controlling interests	3,454	-
	31,137	46,933

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

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

Dividend

The amount of dividend paid by the Company since 31 December 2016 was as follows:

	RM'000
In respect of the financial year ended 31 December 2017 as reported in the Directors' report of that year:	
Final single-tier dividend of 1.5% on 308,967,010 ordinary shares (excluding 9,479,200 treasury shares), declared on 22 February 2017 and paid on 19 May 2017	4,634

On 26 February 2018, the directors approved a single-tier dividend of 2.0 sen on 308,967,010 ordinary shares, amounting to RM6,179,340 (2.0 sen per ordinary share) payable on 22 May 2018. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ended 31 December 2018.

Directors

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

Tan Sri Dr Mah King Thian @ Mah King Thiam	
Dato' Seri Mah King Seng	
Chua Kim Yin	
Chan Kam Leong	
Choong Pak Wan	
Dr Jordina Mah Siu Yi	*(Appointed on 7 March 2018)*

The names of the Directors of the subsidiaries of the Company in office since the beginning of the financial year to the date of this report (not including those Directors listed above) are:

Datin Seri Ooi Ah Thin	
Soong Swee Koon	
Koh Zheng Kai	
Jack Tian Hock Tan	
Lee Chong Hoe	
Michelle Siew Yee Lee	
Datuk Saddi Bin Abdu Rahman	*(Appointed on 23 March 2018)*
Kalimin Bin Sahadi	*(Appointed on 23 March 2018)*
Datuk Datu Basrun Haji Datu Mansor	*(Resigned on 23 March 2018)*
A. Sallih Bin A. Labai	*(Resigned on 23 March 2018)*

Directors' benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than as disclosed in Note 30 to the financial statements.

Indemnities to directors or officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or officer of the Company.

Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and warrants in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1 each			
Name of director	**1.1.2017**	**Acquired**	**Sold**	**31.12.2017**
The Company				
Direct interest:				
Choong Pak Wan	15,000	-	-	15,000
Indirect interest:				
Tan Sri Dr Mah King Thian @ Mah King Thiam	118,831,200	-	-	118,831,200
Dato' Seri Mah King Seng	118,831,200	-	-	118,831,200
Chan Kam Leong#	540,000	-	-	540,000
The holding company, MHC Plantations Bhd.				
Direct interest:				
Tan Sri Dr Mah King Thian @ Mah King Thiam	93,248	-	-	93,248
Dato' Seri Mah King Seng	338,948	-	-	338,948
Chan Kam Leong	-	10,000	-	10,000
Indirect interest:				
Tan Sri Dr Mah King Thian @ Mah King Thiam	90,188,024	-	-	90,188,024
Dato' Seri Mah King Seng	90,188,024	-	-	90,188,024
Chan Kam Leong#	622,294	86,000	-	708,294

	Number of warrants (2012/2017)			
	1.1.2017	**Bought**	**Expired**	**31.12.2017**
The holding company, MHC Plantations Bhd.				
Direct interest:				
Tan Sri Dr Mah King Thian @ Mah King Thiam	26,642	-	(26,642)	-
Dato' Seri Mah King Seng	96,842	-	(96,842)	-
Indirect interest:				
Tan Sri Dr Mah King Thian @ Mah King Thiam	26,482,473	-	(26,482,473)	-
Dato' Seri Mah King Seng	26,482,473	-	(26,482,473)	-
Chan Kam Leong#	888	-	(888)	-

#Interest by virtue of shares held by spouse.

Directors' interests (cont'd)

Tan Sri Dr Mah King Thian @ Mah King Thiam and Dato' Seri Mah King Seng by virtue of their interests in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent that the Company has an interest.

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

Treasury shares

As at 31 December 2017, the Company held as treasury shares a total of 9,479,200 of its 318,446,210 issued ordinary shares. Such treasury shares are held at a carrying amount of RM11,097,392 and further relevant details are disclosed in Note 26 to the financial statements.

Holding company

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

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Other statutory information (cont'd)

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

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

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

(f) In the opinion of the Directors:

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

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

Auditors' remunerations are disclosed in Note 7 to the financial statements.

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 March 2018.

Tan Sri Dr Mah King Thian @ Mah King Thiam **Dato' Seri Mah King Seng**

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Tan Sri Dr Mah King Thian @ Mah King Thiam and Dato' Seri Mah King Seng, being two of the Directors of Cepatwawasan Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 60 to 161 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 March 2018.

Tan Sri Dr Mah King Thian @ Mah King Thiam

Dato' Seri Mah King Seng

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Liu Swee Kan, being the Officer primarily responsible for the financial management of Cepatwawasan Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 60 to 161 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Liu Swee Kan
at Sandakan in the State of Sabah
on 28 March 2018.

Liu Swee Kan

Before me,

Ramsah Binti Hj. Mohd Taha
Commissioner for Oaths (No. S-029)

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

Report on the financial statements

Opinion

We have audited the financial statements of Cepatwawasan Group Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 161.

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

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

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

Impairment testing of goodwill

As stated in Note 15 to the financial statements as at 31 December 2017, the carrying value of goodwill of the Group was RM92 million. Under FRS 136, the Group is required to test the amount of goodwill for impairment annually, regardless whether there is any indication of impairment.

The Group estimated the recoverable amount of the cash generating units (CGUs) to which the goodwill is allocated based on value-in-use (VIU). Estimating the VIU involves estimating the future cash inflows and outflows that will be generated by the CGUs and discounting them at an appropriate rate. The annual impairment test for goodwill is significant to our audit as the assessment process is complex and highly judgmental. Significant judgement is required in determining the assumptions to be used to estimate the recoverable amount of the CGUs to which the above goodwill have been allocated to and is based on assumptions that are affected by expected future demand and economic conditions. The assumptions used include estimates of future sales volumes, prices, operating cost, growth rates, and terminal value and the discount rate to use.

Our audit procedures, among others, included obtaining an understanding of the relevant internal controls over estimating the recoverable amount of CGU and assessing whether the assumptions on which the cash flow projections are based are consistent with past actual outcomes, in particular the assumptions about estimated revenue growth rates and possible variations in the timing of those future cash flows.

We also assessed the discount rate used by involving a valuation expert, to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expected to derive from the asset.

In addition, we also evaluated the adequacy of the disclosures of the key assumptions on which the Group has based its cash flow projections. Key assumptions are those to which the unit's recoverable amount is most sensitive and are disclosed in Note 15 to the financial statements.

Service concession arrangements

As at 31 December 2017, the carrying value of trade receivables relating to service concession arrangements of the Group was RM151 million as stated in Note 19 to the financial statements. Both of the subsidiaries, Cash Horse Sdn. Bhd. and Mistral Engineering Sdn. Bhd. entered into arrangements whereby the subsidiaries operate a biomass and biogas power plant respectively providing electricity to Sabah Electricity Sdn. Bhd. These arrangements were accounted for as a service concession arrangement in accordance to IC Interpretation 12: Service Concession Arrangements.

We focus on this area as a key audit because the carrying value of the financial asset is material to the financial statements and significant judgement is applied in measuring its carrying value.

Our audit procedures, amongst others included reviewing the associated agreements to assess that these arrangements reflect a service concession arrangement under the financial asset model and obtaining an understanding of the relevant controls over estimating the trade receivables and revenue. We reviewed management's computation of the receivables, the allocation of consideration received and receivable between receivables balance and the related revenue recognised and tested key management estimates including discount rates used by comparing to the relevant market interest rates to identify any inappropriate estimates.

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 17 to the financial statements.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Yong Voon Kar
1769/04/18(J/PH)
Chartered Accountant

Sandakan, Malaysia
28 March 2018

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	3	274,134	254,668	48,646	4,018
Cost of sales		(224,591)	(211,567)	-	-
Gross profit		49,543	43,101	48,646	4,018
Other items of income					
Interest income	4	8,406	7,266	4,415	3,174
Other income	5	1,888	831	7,851	1,071
Other items of expense					
Other expenses		-	-	(7,350)	-
Marketing and distribution costs		(4,484)	(4,266)	-	-
Administrative expenses		(9,027)	(9,043)	(3,527)	(3,748)
Finance costs	6	(5,809)	(7,167)	(2,645)	(3,174)
Profit before tax	7	40,517	30,722	47,390	1,341
Income tax expense	10	(9,380)	(8,233)	(457)	110
Profit net of tax		31,137	22,489	46,933	1,451
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss: Foreign currency translation, tax effect of RM Nil		(161)	127	-	-
Total comprehensive income for the year		30,976	22,616	46,933	1,451

Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2017 (cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Profit attributable to:					
Owners of the parent		27,683	21,145	46,933	1,451
Non-controlling interests		3,454	1,344	-	-
		31,137	22,489	46,933	1,451
Total comprehensive income for the year attributable to:					
Owners of the parent		27,576	21,209	46,933	1,451
Non-controlling interests		3,400	1,407	-	-
		30,976	22,616	46,933	1,451
Earnings per share attributable to owners of the parent (sen per share):					
Basic	11	8.96	6.84		
Diluted	11	8.96	6.84		

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

Consolidated Statements of Financial Position

As at 31 December 2017

	Note	2017 RM'000	2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	172,877	173,209
Biological assets	13	162,533	161,296
Investment properties	14	43,340	42,700
Intangible assets	15	92,088	92,088
Land use rights	16	1,938	1,966
Deferred tax assets	18	2,887	3,204
Trade and other receivables	19	142,918	149,502
		618,581	623,965
Current assets			
Inventories	20	25,283	24,403
Trade and other receivables	19	26,272	22,272
Tax recoverable		1,187	1,411
Short term investments	21	17,062	13,098
Cash and bank balances	22	21,668	21,521
		91,472	82,705
Total assets		710,053	706,670
EQUITY AND LIABILITIES			
Current liabilities			
Loans and borrowings	23	58,538	63,804
Trade and other payables	24	29,179	31,828
Income tax payable		1,622	1,905
		89,339	97,537
Net current assets/(liabilities)		2,133	(14,832)
Non-current liabilities			
Deferred tax liabilities	18	51,620	50,293
Loans and borrowings	23	51,827	66,315
Lease rental payable	25	267	267
		103,714	116,875
Total liabilities		193,053	214,412
Net assets		517,000	492,258

Consolidated Statements of Financial Position
As at 31 December 2017 (cont'd)

	Note	2017 RM'000	2016 RM'000
Equity attributable to owners of the parent			
Share capital	26	318,446	318,446
Treasury shares	26	(11,097)	(11,097)
Reserves	27	(1,836)	(1,729)
Retained earnings	28	191,258	168,209
		496,771	473,829
Non-controlling interests		20,229	18,429
Total equity		517,000	492,258
Total equity and liabilities		710,053	706,670

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

Company Statements of Financial Position

As at 31 December 2017

	Note	2017 RM'000	2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,533	2,831
Investments in subsidiaries	17	342,505	342,505
Deferred tax assets	18	67	62
Other receivables	19	61,989	54,187
		407,094	399,585
Current assets			
Trade and other receivables	19	28,205	30,810
Tax recoverable		-	56
Cash and bank balances	22	1,134	467
		29,339	31,333
Total assets		436,433	430,918
EQUITY AND LIABILITIES			
Current liabilities			
Income tax payable		257	-
Loans and borrowings	23	20,800	27,000
Trade and other payables	24	20,931	49,272
		41,988	76,272
Net current liabilities		(12,649)	(44,939)
Non-current liabilities			
Loans and borrowings	23	23,650	26,150
Total liabilities		65,638	102,422
Net assets		370,795	328,496

Company Statements of Financial Position

As at 31 December 2017 (cont'd)

	Note	2017 RM'000	2016 RM'000
Equity attributable to owners of the parent			
Share capital	26	318,446	318,446
Treasury shares	26	(11,097)	(11,097)
Retained earnings	28	63,446	21,147
Total equity		370,795	328,496
Total equity and liabilities		436,433	430,918

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

Statements of Changes in Equity

For the financial year ended 31 December 2017

Group	Note	Equity, total RM'000	Attributable to owners of the parent: Equity attributable to owners of the parent, total RM'000	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000
2017									
Opening balance at 1 January 2017		492,258	473,829	318,446	(11,097)	214	(1,943)	168,209	18,429
Profit for the year		31,137	27,683	-	-	-	-	27,683	3,454
Other comprehensive income for the year, net of tax									
Foreign currency translation		(161)	(107)	-	-	(107)	-	-	(54)
Total comprehensive income for the year		30,976	27,576	-	-	(107)	-	27,683	3,400
Transactions with owner									
Dividend on ordinary shares	29	(6,234)	(4,634)	-	-	-	-	(4,634)	(1,600)
Total transactions with owner		(6,234)	(4,634)	-	-	-	-	(4,634)	(1,600)
Closing balance at 31 December 2017		517,000	496,771	318,446	(11,097)	107	(1,943)	191,258	20,229

Statements of Changes in Equity
For the financial year ended 31 December 2017 (cont'd)

Group	Note	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000
			← Attributable to owners of the parent →						
2016									
Opening balance at 1 January 2016		475,074	457,251	318,446	(11,097)	150	(1,946)	151,698	17,823
Profit for the year		22,489	21,145	-	-	-	-	21,145	1,344
Other comprehensive income for the year, net of tax									
Foreign currency translation		127	64	-	-	64	-	-	63
Total comprehensive income for the year		22,616	21,209	-	-	64	-	21,145	1,407
Transactions with owner									
Purchase of treasury shares	26	-	-	-	*	-	-	-	-
Dividend on ordinary shares	29	(5,434)	(4,634)	-	-	-	-	(4,634)	(800)
		(5,434)	(4,634)	-	-	-	-	(4,634)	(800)
Changes in ownership interest in subsidiaries									
Acquisition of non-controlling interests		(1)	-	-	-	-	-	-	(1)
Cost of capital raising		3	3	-	-	-	3	-	-
Total transactions with owners		2	3	-	-	-	3	-	(1)
Closing balance at 31 December 2016		492,258	473,829	318,446	(11,097)	214	(1,943)	168,209	18,429

* Below RM1,000

Statements of Changes in Equity
For the financial year ended 31 December 2017 (cont'd)

	Note	Equity, total RM'000	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000
Company					
2017					
Opening balance at 1 January 2017		328,496	318,446	(11,097)	21,147
Profit for the year, representing total comprehensive loss for the year		46,933	-	-	46,933
Transactions with owners					
Dividend on ordinary shares	29	(4,634)	-	-	(4,634)
Total transactions with owners		(4,634)	-	-	(4,634)
Closing balance at 31 December 2017		370,795	318,446	(11,097)	63,446

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

Statements of Changes in Equity
For the financial year ended 31 December 2017 (cont'd)

	Note	Equity, total RM'000	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000
Company					
2016					
Opening balance at 1 January 2016		331,679	318,446	(11,097)	24,330
Profit for the year, representing total comprehensive loss for the year		1,451	-	-	1,451
Transactions with owners					
Purchase of treasury shares	26	-	-	*	-
Dividend on ordinary shares	29	(4,634)	-	-	(4,634)
Total transactions with owners		(4,634)	-	-	(4,634)
Closing balance at 31 December 2016		328,496	318,446	(11,097)	21,147

* Below RM1,000

Statements of Cash Flows

For the financial year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating activities				
Profit before tax	40,517	30,722	47,390	1,341
Adjustments for:				
Impairment loss on investment in a subsidiary	-	-	7,350	-
Reversal of provision for doubtful debts	-	-	-	(1,071)
Dividend income	-	-	(45,657)	(1,200)
Net (gain)/loss on disposal of plant and equipment	(681)	25	-	-
Net gain from fair value adjustment of investment properties	(640)	-	-	-
Interest income	(8,406)	(7,266)	(4,415)	(3,174)
Net unrealised gain on foreign exchange	(1)	(45)	-	-
Finance costs	5,809	7,167	2,645	3,174
Depreciation of property, plant and equipment	7,618	7,290	312	310
Amortisation of land use rights	28	28	-	-
Bad debts written off	-	20	-	36
Plant and equipment scrapped	564	14	-	-
Total adjustments	4,291	7,233	(39,765)	(1,925)
Operating cash flows before changes in working capital	44,808	37,955	7,625	(584)
Changes in working capital				
(Increase)/decrease in inventories	(880)	5,019	-	-
Decrease/(increase) in receivables	10,153	(15,540)	(39)	(114)
(Decrease)/increase in payables	(2,655)	8,621	(154)	240
Total changes in working capital	6,618	(1,900)	(193)	126
Cash flows from/(used in) operations	51,426	36,055	7,432	(458)
Interest received	841	716	4,415	3,174
Interest paid	(5,809)	(7,167)	(2,645)	(3,174)
Income taxes refunded	35	130	35	14
Income taxes paid	(7,830)	(4,746)	(184)	(57)
Net cash flows from/(used in) operating activities	38,663	24,988	9,053	(501)

Statements of Cash Flows

For the financial year ended 31 December 2017 (cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Investing activities				
Purchase of property, plant and equipment	(9,043)	(6,187)	(14)	(27)
Acquisition of non-controlling interests	-	(1)	-	-
Subscription of additional shares in a subsidiary	-	-	(7,350)	-
Proceeds from disposal of plant and equipment	2,298	43	-	-
Additions of biological assets	(1,355)	(2,205)	-	-
Dividend received	-	-	45,657	1,200
Net change in short term money market funds	(3,964)	(2,013)	-	-
Increase in amounts due from subsidiary companies	-	-	(5,158)	(10,412)
Net cash flows used in investing activities	(12,064)	(10,363)	33,135	(9,239)
Financing activities				
Dividend paid to equity holders of the parent	(4,634)	(4,634)	(4,634)	(4,634)
Dividend paid to non-controlling interests	(1,600)	(800)	-	-
Cost of capital raising	-	3	-	-
Placements of fixed deposits	(297)	(16)	-	-
Purchase of treasury shares	-	*	-	-
Proceeds from borrowings	25,300	10,000	25,300	10,000
Repayment of borrowings	(44,589)	(21,770)	(34,000)	(12,000)
Repayment of obligations under finance leases	(771)	(880)	-	-
(Decrease)/increase in amounts due to subsidiary companies	-	-	(28,187)	15,995
Net cash flows (used in)/from financing activities	(26,591)	(18,097)	(41,521)	9,361
Net increase/(decrease) in cash and cash equivalents	8	(3,472)	667	(379)
Net foreign exchange difference	(158)	181	-	-
Cash and cash equivalents at 1 January	19,365	22,656	467	846
Cash and cash equivalents at 31 December (Note 22)	19,215	19,365	1,134	467

* Below RM1,000

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

1. Corporate information

The Company is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 70, Block 6, Prima Square, Mile 4, North Road, 90000 Sandakan, Sabah.

The holding company of the Company is MHC Plantations Bhd., a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The holding company produces financial statements available for public use.

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

The principal activities and other information relating to the subsidiary companies are stated in Note 17 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies

On 1 January 2017, the Group and the Company adopted the following new and amended FRSs and annual improvements to FRSs mandatory for annual financial periods beginning on or after 1 January 2017.

Description	Effective for annual periods beginning on or after
FRS 107 Disclosure Initiative (Amendments to FRS 107)	1 January 2017
FRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 112)	1 January 2017
Annual Improvements to FRS Standards 2014–2016 Cycle - Amendments to FRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in FRS 12	1 January 2017

FRS 107 Disclosure Initiative (Amendments to FRS 107)

The amendments to FRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in Note 23, the application of these amendments has had no impact on the Group and on the Company.

FRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

Annual Improvements to FRS Standards 2014–2016 Cycle

Amendments to FRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in FRS 12

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group's interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

2.3 Adoption of MFRS Framework

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has established a project team to plan and manage the adoption of the MFRS Framework. This project consists of the following phases:

(a) Assessment and planning phase

This phase involves the following:
(i) High level identification of the key differences between Financial Reporting Standards and accounting standards under the MFRS Framework and disclosures that are expected to arise from the adoption of MFRS Framework;
(ii) Evaluation of any training requirements; and
(iii) Preparation of a conversion plan.

(b) Implementation and review phase

This phase aims to:
(i) develop training programs for the staff;
(ii) formulate new and/or revised accounting policies and procedures for compliance with the MFRS Framework;
(iii) identify potential financial effects as at the date of transition, arising from the adoption of the MFRS Framework; and
(iv) develop disclosures required by the MFRS Framework.

The consolidated and separate financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2017 could be different if prepared under the MFRS Framework. Set out below are the Group's best estimates of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework as at the date of preparing these financial statements. However, the actual effects of transition to the MFRS Framework may differ from the estimates disclosed below due to the ongoing assessment being undertaken by the Group's project team.

2. Summary of significant accounting policies (cont'd)

2.3 Adoption of MFRS Framework (cont'd)

(a) Reconciliation of equity as at 1 January 2017 (date of transition)

Group

	As at 1 January 2017 Under FRS RM'000		Adjustments RM'000	As at 1 January 2017 under MFRS RM'000
Assets				
Non-current assets				
Property, plant and equipment ("PPE")	173,209	(i, iii)	54,403	227,612
Biological assets	161,296	(i)	(161,296)	-
Investment properties	42,700			42,700
Intangible assets	92,088	(iii)	(74,730)	17,358
Land use rights	1,966			1,966
Deferred tax assets	3,204			3,204
Trade and other receivables	149,502			149,502
	623,965			442,342
Current assets				
Biological assets	-	(ii)	4,000	4,000
Inventories	24,403			24,403
Trade and other receivables	22,272			22,272
Tax recoverable	1,411			1,411
Short term investments	13,098			13,098
Cash and bank balances	21,521			21,521
	82,705			86,705
Total assets	706,670			529,047
Equity and Liabilities				
Current liabilities				
Loans and borrowings	63,804			63,804
Trade and other payables	31,828			31,828
Income tax payable	1,905			1,905
	97,537			97,537
Net current liabilities	(14,832)			(10,832)

2. Summary of significant accounting policies (cont'd)

2.3 Adoption of MFRS Framework (cont'd)

(a) Reconciliation of equity as at 1 January 2017 (date of transition) (cont'd)

Group

	As at 1 January 2017 Under FRS RM'000		Adjustments RM'000	As at 1 January 2017 under MFRS RM'000
Non-current liabilities				
Deferred tax liabilities	50,293	(i, ii, iii)	(27,098)	23,195
Loans and borrowings	66,315			66,315
Lease rental payable	267			267
	116,875			89,777
Total liabilities	214,412			187,314
Net assets	492,258			341,733
Equity attributable to owners of the parent				
Share capital	318,446			318,446
Treasury shares	(11,097)			(11,097)
Reserves	(1,729)	(iii)	(71,522)	(73,251)
Retained earnings	168,209	(i,ii,iii)	(73,384)	94,825
	473,829			328,923
Non-controlling interests	18,429	(i, ii)	(5,619)	12,810
	492,258			341,733

2. Summary of significant accounting policies (cont'd)

2.3 Adoption of MFRS Framework (cont'd)

(a) Reconciliation of equity as at 1 January 2017 (date of transition) (cont'd)

Company

	As at 1 January 2017 Under FRS RM'000		Adjustments RM'000	As at 1 January 2017 under MFRS RM'000
Assets				
Non-current assets				
Property, plant and equipment ("PPE")	2,831			2,831
Investment in subsidiaries	342,505	(iii)	(46,948)	295,557
Deferred tax assets	62			62
Other receivables	54,187			54,187
	399,585			352,637
Current assets				
Trade and other receivables	30,810			30,810
Tax recoverable	56			56
Cash and bank balances	467			467
	31,333			31,333
Total assets	430,918			383,970
Equity and Liabilities				
Current liabilities				
Loans and borrowings	27,000			27,000
Trade and other payables	49,272			49,272
	76,272			76,272
Net current liabilities	(44,939)			(44,939)
Non-current liabilities				
Loans and borrowings	26,150			26,150
Total liabilities	102,422			102,422
Net assets	328,496			281,548
Equity attributable to owners of the parent				
Share capital	318,446			318,446
Treasury shares	(11,097)			(11,097)
Retained earnings	21,147	(iii)	(38,466)	(17,319)
Reserve	-	(iii)	(8,482)	(8,482)
	328,496			281,548

2. Summary of significant accounting policies (cont'd)

2.3 Adoption of MFRS Framework (cont'd)

(b) Reconciliation of equity as at 31 December 2017

Group

	As at 31 December 2017 Under FRS RM'000		Adjustments RM'000	As at 31 December 2017 under MFRS RM'000
Assets				
Non-current assets				
Property, plant and equipment ("PPE")	172,877	(i, iii)	48,898	221,775
Biological assets	162,533	(i)	(162,533)	-
Investment properties	43,340			43,340
Intangible assets	92,088	(iii)	(74,730)	17,358
Land use rights	1,938			1,938
Deferred tax assets	2,887			2,887
Trade and other receivables	142,918			142,918
	618,581			430,216
Current assets				
Biological assets	-	(ii)	2,719	2,719
Inventories	25,283			25,283
Trade and other receivables	26,272			26,272
Tax recoverable	1,187			1,187
Short term investments	17,062			17,062
Cash and bank balances	21,668			21,668
	91,472			94,191
Total assets	710,053			524,407

Notes to the Financial Statements
For the financial year ended 31 December 2017 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.3 Adoption of MFRS Framework (cont'd)

(b) Reconciliation of equity as at 31 December 2017 (cont'd)

Group

	As at 31 December 2017 Under FRS RM'000		Adjustments RM'000	As at 31 December 2017 under MFRS RM'000
Equity and Liabilities				
Current liabilities				
Loans and borrowings	58,538			58,538
Trade and other payables	29,179			29,179
Income tax payable	1,622			1,622
	89,339			89,339
Net current assets	2,133			4,852
Non-current liabilities				
Deferred tax liabilities	51,620	(i, ii, iii)	(29,023)	22,597
Loans and borrowings	51,827			51,827
Lease rental payable	267			267
	103,714			74,691
Total liabilities	193,053			164,030
Net assets	517,000			360,377
Equity attributable to owners of the parent				
Share capital	318,446			318,446
Treasury shares	(11,097)			(11,097)
Reserves	(1,836)	(iii)	(71,522)	(73,358)
Retained earnings	191,258	(i,ii,iii)	(72,377)	118,881
	496,771			352,872
Non-controlling interests	20,229	(i, ii)	(12,724)	7,505
	517,000			360,377

2. Summary of significant accounting policies (cont'd)

2.3 Adoption of MFRS Framework (cont'd)

(b) Reconciliation of equity as at 31 December 2017 (cont'd)

Company

	As at 31 December 2017 Under FRS RM'000		Adjustments RM'000	As at 31 December 2017 under MFRS RM'000
Assets				
Non-current assets				
Property, plant and equipment ("PPE")	2,533			2,533
Investment in subsidiaries	342,505	(iii)	(46,948)	295,557
Deferred tax assets	67			67
Trade and other receivables	61,989			61,989
	407,094			360,146
Current assets				
Trade and other receivables	28,205			28,205
Cash and bank balances	1,134			1,134
	29,339			29,339
Total assets	436,433			389,485
Equity and Liabilities				
Current liabilities				
Loans and borrowings	20,800			20,800
Trade and other payables	20,931			20,931
Income tax payable	257			257
	41,988			41,988
Net current liabilities	(12,649)			(12,649)
Non-current liabilities				
Loans and borrowings	23,650			23,650
Total liabilities	65,638			65,638
Net assets	370,795			323,847
Equity attributable to owners of the parent				
Share capital	318,446			318,446
Treasury shares	(11,097)			(11,097)
Retained earnings	63,446	(iii)	(38,466)	24,980
Reserve	-	(iii)	(8,482)	(8,482)
	370,795			323,847

2. Summary of significant accounting policies (cont'd)

2.3 Adoption of MFRS Framework (cont'd)

(c) Reconciliation of total comprehensive income for the year ended 31 December 2017

Group

	For the year ended 31 December 2017 Under FRS RM'000		Adjustments RM'000	For the year ended 31 December 2017 under MFRS RM'000
Revenue	274,134			274,134
Cost of sales	(224,591)	(i)	5,270	(219,321)
Gross profit	49,543			54,813
Other items of income				
Interest income	8,406			8,406
Other income	1,888	(ii)	(884)	1,004
Other items of expense				
Marketing and distribution costs	(4,484)			(4,484)
Administrative expenses	(9,027)			(9,027)
Finance costs	(5,809)			(5,809)
Profit before tax	40,517			44,903
Income tax expenses	(9,380)	(i)	(1,618)	(10,998)
Profit net of tax	31,137			33,905
Other comprehensive income				
Foreign currency translation	(161)			(161)
Total comprehensive income for the year	30,976			33,744

Company

Based on its assessment, the Company does not expect the application of MFRS to result any impact on its total comprehensive income for the year ended 31 December 2017.

(i) Upon adoption of MFRS 141, biological assets/bearer plants are within the scope of MFRS 16: Property, Plant and Equipment and the Group will measure the bearer plants using the cost model. Whereas the unripe fresh fruit bunch ("FFB") on bearer plant is within the scope of MFRS 141: Agriculture. The unripe FFB will be measure at fair value less cost to sell with the changes in fair value recognised in profit or loss and will be classified as current assets as the unripe FFB will be harvested within a year from the reporting date.

Prior to adoption of MFRS 141, bearer plants were measured using the capital maintenance method and are not amortised. Replanting expenditure are recognised in profit or loss in the year of which the expenditure are incurred. Under MFRS 141, the costs of bearer plants will be amortised over the life of the bearer plants. Any replanting expenditure will be capitalized and amortised.

2. Summary of significant accounting policies (cont'd)

2.3 Adoption of MFRS Framework (cont'd)

(ii) This represents the carrying value of agricultural produce measured at fair value less costs to sell. Fair value changes of agricultural produce will be taken to profit or loss.

(iii) The Group has elected for retrospective application of MFRS 3 Business Combination from the Group's first business combination, which would require restatement of all business combination.

During the financial year 2001, the Group undertook a restructuring exercise involving S & P Food Industries (M) Bhd ("SPF"), Cepatwawasan Group Berhad ("the Company"), Cepatwawasan Sdn. Bhd. ("Cepat") and others. The Group identified the Company as the acquirer and accounted for the restructuring using the acquisition method resulting in the recognition of goodwill of approximately RM92 million and the corresponding deferred tax liabilities.

Under MFRS 3 Business Combination, Cepat was assessed to be the accounting acquirer in the above restructuring instead of the Company as the Company was a non-trading shell company. When Cepat was identified as the acquirer, the consolidated financial statements of the Company will reflect the assets and liabilities of Cepat Group at their respective book values. As a result, there will be no goodwill arising from the 'acquisition' of Cepat Group and neither will there be a corresponding deferred tax arising.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

2.4 Basis of consolidation

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

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

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation (cont'd)

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

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decision need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company losses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

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

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

When the Group losses 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 profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of an investment.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation (cont'd)

Business combinations (cont'd)

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration will be recognised in profit or loss. However, if the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The accounting policy for goodwill is set out in Note 2.12.

2.5 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Direct expenditure incurred on quarry development is capitalised under quarry development expenditure. A portion of the indirect overheads which include general and administrative expenses and interest expense incurred on quarry development is similarly capitalised under quarry development expenditure until such time when the quarry commences operation.

Quarry development expenditure is amortised based on the proportion of stone volume extracted over the estimated volume of extractable stone from the quarry reserve.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

-	Leasehold building	2%
-	Plantation infrastructure development expenditure	63 - 99 years
-	Long term leasehold land	63 - 99 years
-	Oil mill and other buildings	5% - 7%
-	Heavy equipment, plant and machinery	6% - 10%
-	Motor vehicles	15%
-	Furniture, fittings and equipment	10%

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.8 Service Concession arrangements

The Group recognises revenue from the construction of the renewable energy power plant in accordance with its accounting policy for construction contracts set out in Note 2.9. Where the Group performs more than one service under the arrangement, consideration received or receivable is allocated to the components by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 2.16.

Subsequent costs and expenditures related to infrastructure and equipment arising from the Group's commitments to the concession contracts or that increase future revenue are recognised as additions to the financial asset. Repairs and maintenance and other expenses that are routine in nature are expensed and recongised in the profit or loss as incurred.

2.9 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2. Summary of significant accounting policies (cont'd)

2.10 Biological assets

Biological assets comprise oil palm planting expenditure. New planting expenditure incurred on land clearing and upkeep of palms to maturity is stated at cost and capitalised under biological assets. A portion of the direct overheads which include general and administrative expenses and interest expense incurred on immature plantation is similarly capitalised under biological assets until such time when the plantation attains maturity.

The Group adopt the capital maintenance method and accordingly new planting expenditure are not amortised. Replanting expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

2.11 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or loss arising from changes in the fair values of the investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.12 Intangible assets

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

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

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.12 Intangible assets (cont'd)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.13 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

2.14 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

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

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. **Summary of significant accounting policies** (cont'd)

2.15 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

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

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

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

The Group classifies all other liabilities as non-current.

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

2.16 Financial instruments – initial recognition and subsequent measurement

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

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

2. Summary of significant accounting policies (cont'd)

2.16 Financial instruments – initial recognition and subsequent measurement (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by FRS 139. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

2. Summary of significant accounting policies (cont'd)

2.16 Financial instruments – initial recognition and subsequent measurement (cont'd)

(a) Financial assets (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 19.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2017 and 2016.

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss as finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

2. Summary of significant accounting policies (cont'd)

2.16 Financial instruments – initial recognition and subsequent measurement (cont'd)

(a) Financial assets (cont'd)

Available-for-sale (AFS) financial investments (cont'd)

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

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

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

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

2. Summary of significant accounting policies (cont'd)

2.16 Financial instruments – initial recognition and subsequent measurement (cont'd)

(b) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.16 Financial instruments – initial recognition and subsequent measurement (cont'd)

(b) Impairment of financial assets (cont'd)

Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

2. Summary of significant accounting policies (cont'd)

2.16 Financial instruments – initial recognition and subsequent measurement (cont'd)

(c) Financial liabilities (cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in FRS 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 23.

2. Summary of significant accounting policies (cont'd)

2.16 Financial instruments – initial recognition and subsequent measurement (cont'd)

(c) Financial liabilities (cont'd)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

As at reporting date, no values are placed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

Derecognition

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

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. Summary of significant accounting policies (cont'd)

2.18 Inventories

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

- Processed crude palm oil, milled oil palm produce and quarry inventories: costs of direct materials, direct labour, other direct charges and appropriate proportions of factory overheads. These costs are assigned on weighted average cost method.

- Consumable stores: purchase costs and expenses in bringing them into store on a weighted average cost method.

- Oil palm nurseries: purchase costs and upkeep expenses on a weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.19 Provisions

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

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

2.20 Borrowing costs

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

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

2. Summary of significant accounting policies (cont'd)

2.21 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.22 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2. Summary of significant accounting policies (cont'd)

2.23 Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 33.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. Summary of significant accounting policies (cont'd)

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sales of plantation produce
Sales of plantation produce is recognised on an accrual basis upon delivery of products to customers, less returns.

(b) Sales of earth and stones
Sales of earth and stones is recognised upon delivery of products and customers' acceptance.

(c) Supply of electricity
Supply of electricity is recognised when electricity is generated and transmitted.

(d) Dividend income
Dividend income is recognised when the Group's right to receive payment is established.

(e) Management fees
Revenue from management service is recognised upon rendering of services to subsidiary companies.

(f) Construction contracts
Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.9.

2.25 Taxes

(a) Current income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of significant accounting policies (cont'd)

2.25 Taxes (cont'd)

(b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2. Summary of significant accounting policies (cont'd)

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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

Revenue, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are 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. Summary of significant accounting policies (cont'd)

2.28 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.29 Contingencies

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

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

2.30 Significant accounting judgement and estimates

Key sources of estimation uncertainty

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

(a) Impairment of goodwill

Goodwill are tested for impairment annually and at other times when such indicators exist. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. This requires an estimation of the recoverable amounts of the cash-generating units to which goodwill are allocated.

Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 15.

(b) Service concession assets

The service concession assets are determined based on the fair values of the services delivered. In determining the appropriate discount rate, management has derived the applicable interest rates from high quality corporate bonds in Malaysia with an AAA rating. The bonds have been selected based on the expected duration of the tenure and taking into consideration the yield curve respectively.

3. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of:				
- crude palm oil	181,070	159,619	-	-
- palm kernel	38,867	35,889	-	-
- fresh fruit bunches	27,312	18,552	-	-
- earth and stones	815	1,228	-	-
- empty fruit bunches oil	11,416	9,937	-	-
Construction of service concession power plants	1,075	16,809	-	-
Supply of electricity	13,579	12,634	-	-
Management fees from subsidiaries	-	-	2,989	2,818
Dividend income from subsidiaries	-	-	45,657	1,200
	274,134	254,668	48,646	4,018

4. Interest income

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interest on:				
- Advances given	-	-	4,411	3,174
- Short term investments and fixed deposits	841	716	4	*
- Amount due from customer on service concession	7,565	6,550	-	-
	8,406	7,266	4,415	3,174

* Below RM1,000

5. Other income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Compensation on termination of emissions reduction purchase agreements	34	67	-	-
Bad debts recovered	-	43	-	-
Equipment hiring income	80	63	-	-
Net gain from fair value adjustment of investment properties (Note 14)	640	-	-	-
Net gain on disposal of plant and equipment	681	2	-	-
Rental income	4	3	-	-
Sale of:				
- scrapped iron	76	31	-	-
- sludge oil	46	-	-	-
- bunch ash	93	76	-	-
Gain on foreign exchange				
- realised	8	*	-	-
- unrealised	1	390	-	-
Miscellaneous	225	156	-	-
Reversal of provision for doubtful debts	-	-	7,851	1,071
	1,888	831	7,851	1,071

* Below RM1,000

6. Finance costs

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
Bank loans	3,340	4,103	1,468	1,568
Revolving credits	2,418	2,974	1,177	1,606
Obligation under finance leases	51	90	-	-
	5,809	7,167	2,645	3,174

Notes to the Financial Statements
For the financial year ended 31 December 2017 (cont'd)

7. Profit before tax

The following items have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Auditors' remuneration:				
- statutory audit				
- current year	308	374	52	48
- underprovision in prior years	9	28	7	11
- other services	180	72	6	3
Employee benefits expense (Note 8)	25,102	25,944	2,547	2,528
Non-executive Directors' remuneration (Note 9)	159	159	159	159
Depreciation of property, plant and equipment (Note 12)	7,618	7,290	312	310
Plant and equipment scrapped	564	14	-	-
Amortisation of land use rights (Note 16)	28	28	-	-
Bad debts written off	-	20	-	36
Loss on foreign exchange				
- realised	-	49	-	-
- unrealised	*	345	-	-
Loss on disposal of plant and equipment	-	27	-	-
Rental of land and buildings	204	227	-	-
Directors' remuneration (Note 9)	2,649	2,800	882	926
Rental of computer software	47	1	-	-
Impairment loss on investment	-	-	7,350	-

* Below RM1,000

8. Employee benefits expense

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Wages and salaries	23,786	24,911	2,286	2,269
Contributions to defined contribution plan	1,365	1,239	252	250
Social security contributions	128	114	9	9
	25,279	26,264	2,547	2,528
Capitalised in:				
- Immature plantations	177	298	-	-
- Inventories	-	22	-	-
Recognised in income statement	25,102	25,944	2,547	2,528

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,648,592 (2016: RM2,800,358) and RM880,996 (2016: RM925,044) respectively.

9. Directors' remuneration

Group	Salaries RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Defined Contribution Plan RM'000	Total RM'000
2017						
Executive:						
Tan Sri Dr Mah King Thian @ Mah King Thiam	629	-	158	30	94	911
Dato' Seri Mah King Seng	629	-	158	30	94	911
Directors of subsidiaries	629	-	158	40	-	827
Total executive directors' remuneration (Note 8)	1,887	-	474	100	188	2,649
Non Executive:						
Chua Kim Yin	-	53	-	-	-	53
Chan Kam Leong	-	53	-	-	-	53
Choong Pak Wan	-	53	-	-	-	53
Total non-executive directors' remuneration (Note 7)	-	159	-	-	-	159
Total directors' remuneration	1,887	159	474	100	188	2,808

9. Directors' remuneration (cont'd)

Group	Salaries RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Defined Contribution Plan RM'000	Total RM'000
2016						
Executive:						
Tan Sri Dr Mah King Thian @ Mah King Thiam	629	-	197	40	99	965
Dato' Seri Mah King Seng	629	-	197	40	99	965
Directors of subsidiaries	629	-	197	44	-	870
Total executive directors' remuneration (Note 8)	1,887	-	591	124	198	2,800
Non Executive:						
Chua Kim Yin	-	53	-	-	-	53
Chan Kam Leong	-	53	-	-	-	53
Choong Pak Wan	-	53	-	-	-	53
Total non-executive directors' remuneration (Note 7)	-	159	-	-	-	159
Total directors' remuneration	1,887	159	591	124	198	2,959

9. Directors' remuneration (cont'd)

Company	Salaries RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Defined Contribution Plan RM'000	Total RM'000
2017						
Executive:						
Tan Sri Dr Mah King Thian @ Mah King Thiam	315	-	79	-	47	441
Dato' Seri Mah King Seng	315	-	79	-	47	441
Total executive directors' remuneration (Note 8)	630	-	158	-	94	882
Non Executive:						
Chua Kim Yin	-	53	-	-	-	53
Chan Kam Leong	-	53	-	-	-	53
Choong Pak Wan	-	53	-	-	-	53
Total non-executive directors' remuneration (Note 7)	-	159	-	-	-	159
Total directors' remuneration	630	159	158	-	94	1,041

9. Directors' remuneration (cont'd)

Company	Salaries RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Defined Contribution Plan RM'000	Total RM'000
2016						
Executive:						
Tan Sri Dr Mah King Thian @ Mah King Thiam	315	-	98	-	50	463
Dato' Seri Mah King Seng	315	-	98	-	50	463
Total executive directors' remuneration (Note 8)	630	-	196	-	100	926
Non Executive:						
Chua Kim Yin	-	53	-	-	-	53
Chan Kam Leong	-	53	-	-	-	53
Choong Pak Wan	-	53	-	-	-	53
Total non-executive directors' remuneration (Note 7)	-	159	-	-	-	159
Total directors' remuneration	630	159	196	-	100	1,085

9. Directors' remuneration (cont'd)

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

Group	Salaries RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Defined Contribution Plan RM'000	Total RM'000
2017						
Executive:						
Tan Sri Dr Mah King Thian @ Mah King Thiam	629	-	158	30	94	911
Dato' Seri Mah King Seng	629	-	158	30	94	911
Total executive directors' remuneration	1,258	-	316	60	188	1,822
Non Executive:						
Chua Kim Yin	-	53	-	-	-	53
Chan Kam Leong	-	53	-	-	-	53
Choong Pak Wan	-	53	-	-	-	53
Total non-executive directors' remuneration	-	159	-	-	-	159
Total directors' remuneration	1,258	159	316	60	188	1,981

9. Directors' remuneration (cont'd)

Group	Salaries RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Defined Contribution Plan RM'000	Total RM'000
2016						
Executive:						
Tan Sri Dr Mah King Thian @ Mah King Thiam	629	-	197	40	99	965
Dato' Seri Mah King Seng	629	-	197	40	99	965
Total executive directors' remuneration	1,258	-	394	80	198	1,930
Non Executive:						
Chua Kim Yin	-	53	-	-	-	53
Chan Kam Leong	-	53	-	-	-	53
Choong Pak Wan	-	53	-	-	-	53
Total non-executive directors' remuneration	-	159	-	-	-	159
Total directors' remuneration	1,258	159	394	80	198	2,089

9. Directors' remuneration (cont'd)

Company	Salaries RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Defined Contribution Plan RM'000	Total RM'000
2017						
Executive:						
Tan Sri Dr Mah King Thian @ Mah King Thiam	315	-	79	-	47	441
Dato' Seri Mah King Seng	315	-	79	-	47	441
Total executive directors' remuneration	630	-	158	-	94	882
Non Executive:						
Chua Kim Yin	-	53	-	-	-	53
Chan Kam Leong	-	53	-	-	-	53
Choong Pak Wan	-	53	-	-	-	53
Total non-executive directors' remuneration	-	159	-	-	-	159
Total directors' remuneration	630	159	158	-	94	1,041

9. Directors' remuneration (cont'd)

Company	Salaries RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Defined Contribution Plan RM'000	Total RM'000
2016						
Executive:						
Tan Sri Dr Mah King Thian @ Mah King Thiam	315	-	98	-	50	463
Dato' Seri Mah King Seng	315	-	98	-	50	463
Total executive directors' remuneration	630	-	196	-	100	926
Non Executive:						
Chua Kim Yin	-	53	-	-	-	53
Chan Kam Leong	-	53	-	-	-	53
Choong Pak Wan	-	53	-	-	-	53
Total non-executive directors' remuneration	-	159	-	-	-	159
Total directors' remuneration	630	159	196	-	100	1,085

Notes to the Financial Statements
For the financial year ended 31 December 2017 (cont'd)

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	7,532	5,767	439	1
- Underprovision in respect of previous years	204	33	23	8
	7,736	5,800	462	9
Deferred income tax:				
- Origination and reversal of temporary differences	2,532	2,049	13	(41)
- (Over)/underprovision in respect of previous years	(888)	384	(18)	(78)
	1,644	2,433	(5)	(119)
Income tax expense recognised in profit or loss	9,380	8,233	457	(110)

10. Income tax expense (cont'd)

Reconciliation between tax expense and accounting profit

The reconciliations between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	40,517	30,722	47,390	1,341
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	9,724	7,373	11,374	322
Adjustments:				
Income not subject to taxation	(160)	(91)	(12,842)	(545)
Non-deductible expenses	468	534	1,920	183
Effect of fair value gain subject to a lower tax rate	32	-	-	-
Underprovision of current income tax in respect of previous years	204	33	23	8
(Over)/underprovision of deferred income tax in respect of previous years	(888)	384	(18)	(78)
Income tax expense recognised in profit or loss	9,380	8,233	457	(110)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

11. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The Group has no potential ordinary shares in issue as at reporting date and therefore diluted earnings per share is same as basic earnings per share.

The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December 2017 and 2016:

	Group	
	2017 RM'000	**2016 RM'000**
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	27,683	21,145
	Number of shares '000	**Number of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation *	308,967	308,967
Basic earnings per share (sen)	8.96	6.84

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

12. Property, plant and equipment

Group	Long term leasehold land RM'000	Buildings, plantation infrastructure and quarry RM'000	Heavy equipment, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Assets under construction RM'000	Total RM'000
Cost							
At 1 January 2017:							
At 1 January 2017	63,064	99,191	73,742	6,123	5,380	11,499	258,999
Additions	-	185	780	467	315	7,602	9,349
Scrapped	-	(9)	-	-	(1)	(564)	(574)
Disposal	(17)	-	(1)	(126)	-	(1,485)	(1,629)
Reclassifications	-	986	15,552	-	-	(16,538)	-
At 31 December 2017	63,047	100,353	90,073	6,464	5,694	514	266,145
Accumulated depreciation and impairment losses							
At 1 January 2017	7,352	21,956	48,251	4,617	3,614	-	85,790
Depreciation charge for the year (Note 7)	776	2,499	3,490	520	333	-	7,618
Scrapped	-	(9)	-	-	(1)	-	(10)
Disposal	(3)	-	(1)	(126)	-	-	(130)
At 31 December 2017	8,125	24,446	51,740	5,011	3,946	-	93,268
Net carrying amount							
At 31 December 2017	54,922	75,907	38,333	1,453	1,748	514	172,877

12. Property, plant and equipment (cont'd)

Group	Long term leasehold land RM'000	Buildings, plantation infrastructure and quarry RM'000	Heavy equipment, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Assets under construction RM'000	Total RM'000
Cost							
At 1 January 2016:							
At 1 January 2016	63,064	89,148	71,927	5,947	5,140	17,741	252,967
Additions	-	54	1,742	300	252	3,939	6,287
Scrapped	-	-	(37)	-	(12)	-	(49)
Disposal	-	-	(82)	(124)	-	-	(206)
Reclassifications	-	9,989	192	-	-	(10,181)	-
At 31 December 2016	63,064	99,191	73,742	6,123	5,380	11,499	258,999
Accumulated depreciation and impairment losses							
At 1 January 2016	6,576	19,483	45,117	4,209	3,288	-	78,673
Depreciation charge for the year (Note 7)	776	2,473	3,207	501	333	-	7,290
Scrapped	-	-	(28)	-	(7)	-	(35)
Disposal	-	-	(45)	(93)	-	-	(138)
At 31 December 2016	7,352	21,956	48,251	4,617	3,614	-	85,790
Net carrying amount							
At 31 December 2016	55,712	77,235	25,491	1,506	1,766	11,499	173,209

12. Property, plant and equipment (cont'd)

Buildings, plantation infrastructure and quarry comprise:

Group	Leasehold property RM'000	Oil mill and other buildings RM'000	Plantation infrastructure development expenditure RM'000	Quarry RM'000	Total RM'000
Cost					
At 1 January 2017:					
At 1 January 2017	780	35,170	53,793	9,448	99,191
Additions	-	185	-	-	185
Reclassifications	-	411	575	-	986
Scrapped	-	(9)	-	-	(9)
At 31 December 2017	780	35,757	54,368	9,448	100,353
Accumulated depreciation and impairment losses					
At 1 January 2017:					
At 1 January 2017	188	16,687	4,116	965	21,956
Depreciation charge for the year	-	1,943	556	-	2,499
Scrapped	-	(9)	-	-	(9)
At 31 December 2017	188	18,621	4,672	965	24,446
Net carrying amount					
At 31 December 2017	592	17,136	49,696	8,483	75,907

12. Property, plant and equipment (cont'd)

Buildings, plantation infrastructure and quarry comprise:

	Leasehold property RM'000	Oil mill and other buildings RM'000	Plantation infrastructure development expenditure RM'000	Quarry RM'000	Total RM'000
Group					
Cost					
At 1 January 2016:					
At 1 January 2016	780	34,701	44,219	9,448	89,148
Additions	-	40	14	-	54
Reclassifications	-	429	9,560	-	9,989
At 31 December 2016	780	35,170	53,793	9,448	99,191
Accumulated depreciation and impairment losses					
At 1 January 2016:					
At 1 January 2016	188	14,764	3,566	965	19,483
Depreciation charge for the year	-	1,923	550	-	2,473
At 31 December 2016	188	16,687	4,116	965	21,956
Net carrying amount					
At 31 December 2016	592	18,483	49,677	8,483	77,235

12. Property, plant and equipment (cont'd)

Company

	Buildings RM'000	Furniture, fittings and equipment RM'000	Total RM'000
At 31 December 2017			
Cost			
At 1 January 2017	3,790	697	4,487
Additions	5	9	14
At 31 December 2017	3,795	706	4,501
Accumulated depreciation			
At 1 January 2017	1,314	342	1,656
Depreciation charge for the year (Note 7)	242	70	312
At 31 December 2017	1,556	412	1,968
Net carrying amount			
At 31 December 2017	2,239	294	2,533
At 31 December 2016			
Cost			
At 1 January 2016	3,790	670	4,460
Additions	-	27	27
At 31 December 2016	3,790	697	4,487
Accumulated depreciation			
At 1 January 2016	1,072	274	1,346
Depreciation charge for the year (Note 7)	242	68	310
At 31 December 2016	1,314	342	1,656
Net carrying amount			
At 31 December 2016	2,476	355	2,831

12. Property, plant and equipment (cont'd)

(i) Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM9,349,497 and RM14,507 (2016: RM6,287,185 and RM27,000) respectively as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment acquired under finance lease	306	100	-	-
Cash payments made for acquisition of property, plant and equipment	9,043	6,187	14	27
	9,349	6,287	14	27

(ii) Assets held under finance leases

The net carrying amount of plant and equipment held under finance leases at the reporting date are as follows:

	Group	
	2017 RM'000	2016 RM'000
Heavy equipment	1,890	2,423
Motor vehicles	362	717
	2,252	3,140

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

12. Property, plant and equipment (cont'd)

(iii) Assets pledged as security

In addition to assets held under finance leases, the net carrying amounts of Group's property, plant and equipment pledged as securities for the Group's bank loans (Note 23) are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Long term leasehold land	15,291	15,516
Buildings	12,750	13,845
Plant and machinery	36,539	20,839
Plantation infrastructure development expenditure	36,295	36,381
Furniture, fittings and equipment	1,243	1,242
Assets under construction	3,684	11,097
	105,802	98,920

13. Biological assets

	Group	
	2017 RM'000	**2016 RM'000**
Plantation development expenditure		
Cost		
At 1 January	161,296	159,091
Additions	1,355	2,205
Disposal	(118)	-
At 31 December	162,533	161,296

Additions during the financial year included the following:

Employee benefits expense (Note 8)	177	298

The Group's biological assets with a net carrying amount of RM51,799,874 (2016: RM50,445,061) are mortgaged to secure the Group's bank loans as disclosed in Note 23.

14. Investment properties

	Group 2017 RM'000	Group 2016 RM'000
Freehold land at fair value		
At 1 January	42,700	42,700
Net gain from fair value adjustments recognised in profit or loss (Note 5)	640	-
At 31 December	43,340	42,700

Fair value information

Fair value of investment properties are categories as follows:

	Group 2017 Level 3 RM'000	Group 2016 Level 3 RM'000
Freehold land	43,340	42,700

As at 31 December 2017 and 2016, the fair values of the properties are based on valuation performed by an accredited independent valuer.

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

Fair value of freehold land has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size and location. The most significant input into this valuation approach is price per square foot of comparable properties.

15. Intangible assets

	Group 2017 RM'000	Group 2016 RM'000
Goodwill		
At 1 January and 31 December	92,088	92,088

Impairment testing of goodwill

Goodwill which arose from business combinations has been allocated to cash-generating units ("CGU") of plantation & quarry and milling segment for impairment testing.

The carrying amount of goodwill has been allocated to the Group's CGU identified according to business segments as follows:

	Group 2017 RM'000	Group 2016 RM'000
Plantation segment	59,982	59,982
Mill segment	32,106	32,106
	92,088	92,088

The recoverable amount of the above CGU has been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period based on the following assumptions:

	Group 2017
CPO per MT (RM)	2,600
PK per MT (RM)	1,900
Pre-tax discount rate (%)	10.26% - 10.85%
Growth rate	1%

15. Intangible assets (cont'd)

(i) CPO and PK prices are based on the current market outlook of product prices relating to the CGU.

(ii) Discount rates used for cash flows discounting purpose is the Group's weighted average cost of capital.

(iii) Growth rate for the plantation and milling segment are determined based on the management's estimate of commodity prices, palm yields, oil extraction rates and also cost of productions based on the industry trends and past performances of the segment.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the plantation and mill segment, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGU, including the goodwill to materially exceed their recoverable amounts.

16. Land use rights

	Group	
	2017 RM'000	**2016 RM'000**
Cost		
At 1 January and 31 December	2,236	2,236
Accumulated amortisation		
At 1 January	270	242
Amortisation for the year (Note 7)	28	28
At 31 December	298	270
Net carrying amount		
At 31 December	1,938	1,966
Amount to be amortised:		
- Not later than one year	28	28
- Later than one year but not later than five years	112	112
- Later than five years	1,798	1,826
	1,938	1,966

17. Investments in subsidiaries

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost:		
At 1 January	342,505	342,505
Subscriptions of additional shares	7,350	-
Impairment loss on investment	(7,350)	-
At 31 December	342,505	342,505

Name of Subsidiaries	Principal Activities	Proportion (%) of Ownership Interest 2017	Proportion (%) of Ownership Interest 2016
Incorporated in Malaysia:			
Held by the Company:			
Cepatwawasan Sdn. Bhd.	Cultivation of oil palm	100	100
Syarikat Melabau Sdn. Bhd.	Cultivation of oil palm	100	100
Wong Tet-Jung Plantations Sdn. Bhd.	Cultivation of oil palm	100	100
Razijaya Sdn. Bhd.	Cultivation of oil palm and operation of a quarry	100	100
Sri Likas Mewah Sdn. Bhd.	Cultivation of oil palm	100	100
Kovusak Sdn. Bhd.	Cultivation of oil palm	100	100
Libarran Island Resort Sdn. Bhd.	Investment holding	100	100
Bakara Sdn. Bhd.	Cultivation of oil palm	100	100
Sungguh Mulia Sdn. Bhd.	Cultivation of oil palm	100	100
Prima Semasa Sdn. Bhd.	Cultivation of oil palm	100	100
Ayu Sempurna Sdn. Bhd.	Investment holding	100	100
Cash Nexus (M) Sdn. Bhd.	Investment holding	100	100
Magnum Kapital Sdn. Bhd.	Investment holding	100	100
Hikayat Anggun Sdn. Bhd.	Investment holding	100	100
Aspenglade Sdn. Bhd.	Dormant	100	100
Ekuiti Etika Sdn. Bhd.	Dormant	100	100

17. Investments in subsidiaries (cont'd)

Name of Subsidiaries	Principal Activities	Proportion (%) of Ownership Interest 2017	2016
Incorporated in Malaysia:			
Held through Cepatwawasan Sdn. Bhd.			
Prolific Yield Sdn. Bhd.	Milling and sales of oil palm products	100	100
Jutategak Sdn. Bhd.	Cultivation of oil palm	100	100
Liga Semarak Sdn. Bhd.	Cultivation of oil palm	100	100
Tentu Cergas Sdn. Bhd.	Cultivation of oil palm	100	100
Tentu Bernas Sdn. Bhd.	Cultivation of oil palm	100	100
Held through Syarikat Melabau Sdn. Bhd.			
Suara Baru Sdn. Bhd.	Cultivation of oil palm and operation of a quarry	100	100
Gelang Usaha Sdn. Bhd.	Cultivation of oil palm	100	100
Swifturn Sdn. Bhd.	Letting of oil palm fresh fruit bunches collection center	100	100
Held through Sri Likas Mewah Sdn. Bhd.			
Ultisearch Trading Sdn. Bhd.	Cultivation of oil palm	100	100
Held through Libarran Island Resort Sdn. Bhd.			
Minelink Sdn. Bhd.	Investment property holding	100	100
Held through Ayu Sempurna Sdn. Bhd.			
Ladang Cepat - KPD Sdn. Bhd.	Cultivation of oil palm	60	60
Held through Cash Nexus (M) Sdn. Bhd.			
Power Precinct Sdn. Bhd.	Investment holding	100	100
Cash Horse (M) Sdn. Bhd.	Power generation and sale of biomass by-products	100	100

17. Investments in subsidiaries (cont'd)

Name of Subsidiaries	Principal Activities	Proportion (%) of Ownership Interest 2017	2016
Held through Cash Nexus (M) Sdn. Bhd. (cont'd)			
Incorporated in Australia:			
Timah Resources Limited# ^	Investment holding	61.51	61.51
Held through Magnum Kapital Sdn. Bhd.			
Incorporated in Singapore:			
Richester Pte Ltd.*	Investment holding	*	100
Held through Timah Resources Limited			
Mistral Engineering Sdn. Bhd.	Power generation	61.51	61.51

Audited by firm other than Ernst & Young
^ Listed on the Australian Securities Exchange Ltd or ASX Limited
* Struck off

Details and summarised financial information of subsidiaries which have non-controlling interests that are material to the Group are set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Details of subsidiaries

Name of company	Proportion of ownership interest held by non-controlling interests 2017 %	2016 %
Ladang Cepat – KPD Sdn. Bhd.	40	40
Mistral Engineering Sdn. Bhd.	38.49	38.49
Timah Resources Limited	38.49	38.49

17. Investments in subsidiaries (cont'd)

(ii) Summarised statements of financial position

	Ladang Cepat-KPD Sdn. Bhd. 2017 RM'000	Ladang Cepat-KPD Sdn. Bhd. 2016 RM'000	Mistral Engineering Sdn. Bhd. 2017 RM'000	Mistral Engineering Sdn. Bhd. 2016 RM'000	Timah Resources Limited 2017 RM'000	Timah Resources Limited 2016 RM'000	Total 2017 RM'000	Total 2016 RM'000
Non-current assets	22,329	22,428	51,207	52,138	26,161	26,161	99,697	100,727
Current assets	21,324	17,631	6,541	2,620	5,806	6,236	33,671	26,487
Total assets	43,653	40,059	57,748	54,758	31,967	32,397	133,368	127,214
Current liabilities	1,493	1,460	5,158	36,504	142	412	6,793	38,376
Non-current liabilities	3,984	4,022	42,044	8,939	-	-	46,028	12,961
Total liabilities	5,477	5,482	47,202	45,443	142	412	52,821	51,337
Net assets	38,176	34,577	10,546	9,315	31,825	31,985	80,547	75,877
Equity attributable to owners of the Company	17,195	14,982	6,750	5,995	36,373	36,471	60,318	57,448
Non-controlling interests	20,981	19,595	3,796	3,320	(4,548)	(4,486)	20,229	18,429

17. Investments in subsidiaries (cont'd)

(iii) Summarised statements of comprehensive income

	Ladang Cepat-KPD Sdn. Bhd. 2017 RM'000	Ladang Cepat-KPD Sdn. Bhd. 2016 RM'000	Mistral Engineering Sdn. Bhd. 2017 RM'000	Mistral Engineering Sdn. Bhd. 2016 RM'000	Timah Resources Limited 2017 RM'000	Timah Resources Limited 2016 RM'000	Total 2017 RM'000	Total 2016 RM'000
Revenue	15,289	13,362	4,411	18,580	-	-	19,700	31,942
Profit/(loss) for the year	7,598	4,445	1,231	(392)	(22)	(600)	8,807	3,453
Profit/(loss) attributable to:								
Owners of the Company	4,612	2,721	755	(243)	(14)	(369)	5,353	2,109
Non-controlling interests	2,986	1,724	476	(149)	(8)	(231)	3,454	1,344
	7,598	4,445	1,231	(392)	(22)	(600)	8,807	3,453
Other comprehensive income attributable to:								
Owners of the Company	-	-	-	-	(84)	100	(84)	100
Non-controlling interests	-	-	-	-	(54)	63	(54)	63
	-	-	-	-	(138)	163	(138)	163
Total comprehensive income/(loss)	7,598	4,445	1,231	(392)	(160)	(437)	8,669	3,616
Total comprehensive income/(loss) attributable to:								
Owners of the Company	4,612	2,721	755	(243)	(98)	(269)	5,269	2,209
Non-controlling interests	2,986	1,724	476	(149)	(62)	(168)	3,400	1,407
	7,598	4,445	1,231	(392)	(160)	(437)	8,669	3,616

17. Investments in subsidiaries (cont'd)

(iv) Summarised cash flows

	Ladang Cepat-KPD Sdn. Bhd. 2017 RM'000	Ladang Cepat-KPD Sdn. Bhd. 2016 RM'000	Mistral Engineering Sdn. Bhd. 2017 RM'000	Mistral Engineering Sdn. Bhd. 2016 RM'000	Timah Resources Limited 2017 RM'000	Timah Resources Limited 2016 RM'000	Total 2017 RM'000	Total 2016 RM'000
Net cash generated from/(used in) operating activities	7,448	4,801	2,693	17,709	(463)	(466)	9,678	22,044
Net cash (used in)/generated from investing activities	(3,537)	(2,318)	(14)	(16,411)	160	178	(3,391)	(18,551)
Net cash used in financing activities	(4,000)	(2,000)	(1,983)	(1,664)	-	-	(5,983)	(3,664)
Net (decrease)/increase in cash and cash equivalents	(89)	483	696	(366)	(303)	(288)	304	(171)
Net foreign exchange difference	-	-	-	-	(136)	181	(136)	181
Cash and cash equivalents at beginning of the year	3,234	2,751	203	569	6,201	6,308	9,638	9,628
Cash and cash equivalents at end of the year	3,145	3,234	899	203	5,762	6,201	9,806	9,638

18. Deferred tax

Deferred income tax as at reporting date relates to the following:

	As at 1 January 2016 RM'000	Recognised in profit or loss RM'000	As at 31 December 2016 RM'000	Recognised in profit or loss RM'000	As at 31 December 2017 RM'000
Group					
Deferred tax liabilities:					
Investment properties	1,121	-	1,121	32	1,153
Property, plant and equipment	26,564	(1,191)	25,373	2,879	28,252
Biological assets	34,689	555	35,244	254	35,498
Amount due from customer on service concession	12,694	8,053	20,747	1,944	22,691
	75,068	7,417	82,485	5,109	87,594
Deferred tax assets:					
Provision for bonus	-	(628)	(628)	(161)	(789)
Unutilised tax losses	(7,024)	83	(6,941)	387	(6,554)
Unabsorbed agriculture and capital allowances	(22,784)	(4,466)	(27,250)	(3,387)	(30,637)
Unabsorbed reinvestment allowances	(604)	27	(577)	(304)	(881)
	(30,412)	(4,984)	(35,396)	(3,465)	(38,861)
	44,656	2,433	47,089	1,644	48,733
Company					
Deferred tax liabilities:					
Property, plant and equipment	57	(6)	51	(8)	43
Deferred tax assets:					
Provision for bonus	-	(113)	(113)	3	(110)
	57	(119)	(62)	(5)	(67)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(2,887)	(3,204)	(67)	(62)
Deferred tax liabilities	51,620	50,293	-	-
	48,733	47,089	(67)	(62)

18. Deferred tax (cont'd)

Unrecognised deferred tax assets

At the reporting date, the Group has unabsorbed capital allowances of approximately RM770,892 (2016: RM767,842) that are available for offset against future taxable profits of the companies in which the unabsorbed capital allowances arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

19. Trade and other receivables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade receivables				
Third parties	13,208	11,829	-	-
Amount due from customer on service concession	8,046	5,509	-	-
Less: Allowance for impairment	(343)	(343)	-	-
Trade receivables, net	20,911	16,995	-	-
Other receivables				
Amounts due from subsidiaries - Interest bearing advances	-	-	28,028	30,672
Deposits	1,815	1,448	70	72
GST receivables	256	402	20	2
Prepayments	2,518	1,039	86	62
Termination compensation receivable	695	1,328	-	-
Sundry receivables	1,082	1,550	273	274
	6,366	5,767	449	410
Less: Allowance for impairment	(1,005)	(976)	(272)	(272)
Other receivables, net	5,361	4,791	177	138
Other assets				
Prepayment of equity shares in a foreign company	4,774	7,901	-	-
Less: Allowance for impairment	(4,774)	(7,415)	-	-
	-	486	-	-
	26,272	22,272	28,205	30,810

19. Trade and other receivables (cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-Current				
Trade receivables				
Amount due from customer on service concession	142,918	149,502	-	-
Other receivables				
Amounts due from subsidiaries				
- Interest bearing advances	-	-	61,989	43,572
- Non-interest bearing advances	-	-	-	18,466
	-	-	61,989	62,038
Less: Allowance for impairment	-	-	-	(7,851)
Other receivables, net	-	-	61,989	54,187
	142,918	149,502	61,989	54,187
Total trade and other receivables (current and non-current)	169,190	171,774	90,194	84,997
Add: Cash and cash equivalents (Note 22)	21,668	21,521	1,134	467
Less: Prepayments and non refundable deposits	(2,921)	(1,234)	(86)	(62)
Total loans and receivables	187,937	192,061	91,242	85,402

19. Trade and other receivables (cont'd)

(a) Trade receivables

Trade receivables are non-interest bearing and generally on 7 to 30 days (2016: 7 to 30 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	20,858	16,975
31 to 60 days past due not impaired	53	20
Impaired	343	343
	21,254	17,338

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM52,940 (2016: RM19,878) that are past due at the reporting date but not impaired.

Trade receivables that are impaired

	Group	
	2017 RM'000	2016 RM'000
At 1 January	343	347
Written off	-	(4)
At 31 December	343	343

19. Trade and other receivables (cont'd)

(b) Other receivables

These amounts are unsecured and are repayable upon demand.

The interest bearing advances are subject to interest charge based on recovery of borrowing cost incurred by the Company.

Other receivables that are impaired

	Group	
	2017 RM'000	**2016 RM'000**
At 1 January	8,391	8,381
Charge for the year	30	54
Written off	(2,642)	(44)
At 31 December	5,779	8,391

(c) Prepayment of equity shares in a foreign company

On 7 September 2011, a wholly owned subsidiary, Magnum Kapital Sdn. Bhd., had entered into a Conditional Sale and Purchase Agreement ("CSPA") with three Indonesian citizens in relation to the proposed acquisition of 500 fully paid up shares of IDR25,000,000 each in PT Mukti Sejahtera Abadi, at a maximum purchase consideration of IDR125,000,000 (approximately RM46,125). The acquisition is yet to be completed pending the satisfaction of certain conditions as stated in the CSPA. As at 31 December 2015, the Group has incurred incidental cost of RM8,901,280 to satisfy certain conditions as stated in the CSPA. However, the Board of Directors has decided to dispose the rights and discontinue with the completion of the acquisition in 2015. An offer for RM1,539,000 was accepted in 2015 and hence, impairment loss of RM7,408,000 was recognised in the previous financial years for the shortfall between the estimated disposal price and the total investment cost and incidental cost incurred.

On 15 May 2016, the disposal was completed and the RM485,913 in the statement of financial position represents the last instalment, which was settled in the current financial year.

19. Trade and other receivables (cont'd)

(d) Termination compensation receivable

On 8 December 2015, Mistral Engineering Sdn. Bhd. ("MESB") and Cash Horse Sdn. Bhd. ("CHSB"), had entered into two Termination of Emission Reductions Purchase Agreements ("Agreements") with NE Climate A/S ("NE") for the purpose of terminating and cancelling the respective Emission Reductions Purchase Agreement entered with NE on 11 October 2010, including the respective Supplemental Agreement entered on 31 May 2011 due to a number of factors including high equipment maintenance costs associated with monitoring, the low level of Certified Emission Reductions ("CERs") currently being generated by the biogas plant and a lack of interest in purchasing CERs particularly from the Eurozone.

The Group will receive termination compensation totaling RM2,000,011 from NE in three payments within two years. This represents the last instalment which was carried at fair value.

(e) Service concession arrangements

A subsidiary of the Company, Cash Horse (M) Sdn. Bhd. ("CHSB"), and Sabah Electricity Sdn Bhd ("SESB") had entered into the Renewable Energy Power Purchase Agreement on 2 November 2010 ("REPPA") to design, construct, own, operate and maintain a Renewable Energy Power Plant ("the Facilities"), to sell and deliver electrical energy to SESB under the Small Renewable Energy Power Programme.

In accordance to the terms of the REPPA, SESB agrees to purchase the Annual Baseline Energy generate from the Facilities at a fixed tariff for 21 years from the commercial operation date.

On 1 January 2015, CHSB had entered into FiT-REPPA with SESB to design, construct own and maintain the facility and to sell and deliver electrical energy to SESB under the Feed-In Tariff Programme in which the REPPA entered previously had been terminated by a Settlement Agreement. The Construction of the facility commenced in 2012 and was completed and available for use in 2014. Under the terms of new agreement, CHSB will operate for a period of 16 years starting from 1 January 2015. CHSB will be responsible for any maintenance service required during the concession period. On 1 April 2015, Mistral Engineering Sdn. Bhd. ("MESB") had also entered into FiT-REPPA with SESB to design, construct own and maintain the facility and to sell and deliver electrical energy to SESB under Feed-In Tariff Programme. The Construction of the facility commenced in 2014 and was completed on 14 February 2017. Under the terms of agreement, MESB will operate for a period of 16 years starting from 15 February 2017. MESB will be responsible for any maintenance service required during the concession period.

For the year ended 31 December 2017, CHSB has recognised revenue of RM10.24 million (2016: RM12 million) on the operation of the facility. The revenue recognised in relation to construction in 2014 represents the fair value of the construction services provide in constructing the facility. CHSB has recognised a service concession receivable, measured initially at the fair value of the construction services discounted at a rate of 4.6%.

19. Trade and other receivables (cont'd)

(e) Service concession arrangements (cont'd)

For the year ended 31 December 2017, MESB has recognised revenue of RM4.41 million (2016: RM16.89 million) consisting RM1.07 million (2016: RM16.8 million) on construction of the facility and RM3.34 million (2016: RM0.09 million) on the operation of the facility. The revenue recognised in relation to construction in 2017 represents the fair value of the construction services provided in constructing the facility. CHSB has recognised a service concession receivable, measured initially at the fair value of the construction services discounted at a rate of 5.45%.

20. Inventories

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cost		
Shell	101	45
Fibre	31	72
Empty fruit bunches	25	40
Empty fruit bunches oil	378	44
Palm kernels	1,201	1,233
Quarry stocks	15,979	16,746
Fertilisers and chemicals	1,458	640
Store, spares and consumable supplies	2,791	1,589
Nurseries	1,016	556
	22,980	20,965
Net realisable value		
Crude palm oil	2,303	3,438
	25,283	24,403

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM17,526,871 (2016: RM13,657,290).

21. Short term investments

	Group 2017 RM'000	Group 2016 RM'000
AmIncome	14,281	11,853
AmCash Management	2,781	1,245
	17,062	13,098

(a) AmIncome

AmIncome is a short to medium-term money market fund that aims to provide investors with a stream of income. The withdrawal proceeds will be received in the following manner:

(i) the first RM2 million and below withdrawn, not later than the 7th day of receipt of repurchase notice; and

(ii) any amount above RM2 million withdrawn, not later than the 30th day of receipt of repurchase notice.

(b) AmCash Management

AmCash Management is a short-term money market fund designed to provide investors with a stream of income. It is managed with the aim of maintaining the Fund's unit price at RM1. The redemption proceeds for investments in AmCash Management will normally be collected by the next business day.

Short term investments earn interest at respective short term deposit rates. The weighted average effective interest rates at 31 December 2017 were 2.68% to 3.39% (2016: 2.59% to 3.24%) per annum.

22. Cash and bank balances

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash at bank and on hand	12,314	10,965	1,134	467
Short term deposits with licensed banks	9,354	10,556	-	-
Cash and bank balances	21,668	21,521	1,134	467

22. Cash and bank balances (cont'd)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day to one month depending on the cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2017 for the Group was 3.03% (2016: 3.19%).

Short term deposits with licensed banks of the Group amounting to RM2,453,034 (2016: RM2,156,224) are pledged as securities for banking facilities.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash at bank and on hand	12,314	10,965	1,134	467
Short term deposits with licensed banks	6,901	8,400	-	-
Cash and cash equivalents	19,215	19,365	1,134	467

23. Loans and borrowings

		Group		Company	
	Year of Maturity	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current					
Secured:					
Obligation under finance leases					
(Note 31(c))	2018	363	717	-	-
Revolving credits:					
- at ICOF + 1.20% p.a.	2018	16,800	23,000	16,800	23,000
- at COF + 1.125% p.a.	2018	16,000	16,000	-	-
- at COF + 1.5% p.a.	2018	9,500	10,000	-	-
Bank loans:					
- RM loan at COF + 1.125% p.a.	2018	1,925	2,100	-	-
- RM loan at COF + 1.5% p.a.	2018	9,950	7,987	-	-
- RM loan at COF + 1.1% p.a.	2018	4,000	4,000	4,000	4,000
		58,538	63,804	20,800	27,000
Non-current					
Secured:					
Obligation under finance leases					
(Note 31(c))	2019-2020	202	313	-	-
Bank loans:					
- RM loan at COF + 1.125% p.a.		-	1,927	-	-
- RM loan at COF + 1.5% p.a.	2019-2021	27,975	37,925	-	-
- RM loan at COF + 1.1% p.a.	2019-2024	23,650	26,150	23,650	26,150
		51,827	66,315	23,650	26,150
Total loans and borrowings		110,365	130,119	44,450	53,150

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
On demand or within one year	58,538	63,804	20,800	27,000
More than 1 year and less than 2 years	13,906	16,148	4,000	4,000
More than 2 years and less than 5 years	26,271	40,017	12,000	12,000
5 years or more	11,650	10,150	7,650	10,150
	110,365	130,119	44,450	53,150

23. Loans and borrowings (cont'd)

(i) Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 12). The average discount rate implicit in the leases is 4.66% p.a. (2016: 5.95% p.a.). These obligations are denominated in Ringgit Malaysia (RM).

(ii) Revolving credits

These are denominated in RM and secured by legal charges over certain leasehold plantations together with the plant and machinery and palm oil mill of subsidiary companies, sub-divided land together with the power plant erected thereon of a subsidiary company, debentures incorporating fixed and floating charges over all the assets of subsidiary companies presently owned and subsequently acquired and corporate guarantees given by the Company and subsidiary companies and short term deposits with licensed bank.

(iii) RM loan at COF + 1.125% p.a.

This loan is secured by legal charges over certain leasehold plantations together with the plant and machinery and palm oil mill of subsidiary companies, debentures incorporating fixed and floating charges over all the assets of subsidiary companies presently owned and subsequently acquired and corporate guarantees given by the Company and subsidiary companies.

(iv) RM loan at COF + 1.5% p.a.

This loan is secured by legal charges over sub-divided land together with the power plant erected thereon of subsidiary companies, debentures incorporating fixed and floating charges over all the assets of the subsidiary companies and corporate guarantees given by the Company and short term deposits with licensed bank.

(v) RM loan at COF + 1.1% p.a.

This loan is secured by legal charges over certain leasehold plantations, debentures incorporating fixed and floating charges over all the assets of subsidiary companies presently owned and subsequently acquired and corporate guarantees given by the subsidiary companies.

23. Loans and borrowings (cont'd)

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

	Group Liabilities			Company Liabilities
	Other loans and borrowings RM'000	Finance lease liabilities RM'000	Total RM'000	Other loans and borrowings RM'000
Balance at 1 January 2017	129,089	1,030	130,119	53,150
Changes from financing cash flows				
Proceeds from loans and borrowings	25,300	-	25,300	25,300
Repayment of borrowings	(44,589)	-	(44,589)	(34,000)
Payment of finance lease liabilities	-	(771)	(771)	-
Total changes from financing cash flows	(19,289)	(771)	(20,060)	(8,700)
Other changes				
Liability - related				
New finance leases	-	306	306	-
Total liability - related other changes	-	306	306	-
Balance at 31 December 2017	109,800	565	110,365	44,450

24. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables				
Third parties	12,045	12,120	-	-
Other payables				
Amounts due to subsidiaries	-	-	19,761	47,948
Accruals	8,206	7,091	996	1,270
Provision for work-in-progress	2,093	5,214	-	-
CPO sales tax and MPOB cess	1,436	1,436	-	-
Retention sum payable to contractor	1,403	1,455	-	-
Sundry payables	3,420	3,845	174	54
GST payable	576	667	-	-
	17,134	19,708	20,931	49,272
Total trade and other payables	29,179	31,828	20,931	49,272
Add: Loans and borrowings (Note 23)	110,365	130,119	44,450	53,150
Total financial liabilities carried at amortised cost	139,544	161,947	65,381	102,422

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2016: 30 to 90 days) terms.

(b) Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, non-interest bearing and are repayable on demand.

(c) Sundry payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of three months (2016: average term of three months).

25. Lease rental payable

This represents sublease rental for 107 parcels of leasehold land of certain subsidiary companies payable over the remaining lease term of 49 years commencing in the year 2049.

26. Share capital and treasury shares

	Number of ordinary shares of RM1 each		Amount	
	2017	2016	2017 RM'000	2016 RM'000
Authorised share capital:				
At 1 January and 31 December	- ^	500,000,000	- ^	500,000

	Number of ordinary shares of RM1 each		Amount	
Issued and fully paid	Share capital	Treasury share	Share capital RM'000	Treasury share RM'000
At 1 January 2016	318,446,210	(9,479,100)	318,446	(11,097)
Purchases of treasury shares	-	(100)	-	*
At 31 December 2016 and 2017	318,446,210	(9,479,200)	318,446	(11,097)

* Below RM1,000

(a) Share capital

^ The new Companies Act, 2016 which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

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

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

Notes to the Financial Statements

For the financial year ended 31 December 2017 (cont'd)

27. Reserves

	Group	
	2017 RM'000	2016 RM'000
Foreign currency translation reserve	107	214
Other reserve	(1,943)	(1,943)
	(1,836)	(1,729)

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

Other reserve

Other reserve represents the difference between the adjusted carrying amount of the non-controlling interests and the fair value of the consideration paid.

28. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2017 and 31 December 2016 under the single tier system.

29. Dividend

	Group and Company	
	2017 RM'000	2016 RM'000
Recognised during the financial year:		
Dividend on ordinary shares:		
Final single-tier dividend for 2017 of 1.5 sen (2016: 1.5 sen) per share	4,634	4,634

On 26 February 2018, the directors approved a single-tier dividend of 2.0 sen on 308,967,010 ordinary shares, amounting to RM6,179,340 (2.0 sen per ordinary share) payable on 22 May 2018. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ended 31 December 2018.

30. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group or the Company and related parties took place at terms agreed between the parties during the financial year:

	Company	
	2017	**2016**
	RM'000	**RM'000**
Transactions with subsidiary companies:		
Management fees received	2,988	2,818
Interest on advances given	4,411	3,173
Gross dividend income	45,657	1,200

(b) Compensation of key management personnel

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term employee benefits	3,392	3,426	1,591	1,534
Defined contribution plan	282	278	172	165
	3,674	3,704	1,763	1,699

31. Commitments

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

(a) Capital commitments

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment:				
Approved and contracted for	4,443	4,020	-	-
Approved but not contracted for	5,068	6,014	-	-
	9,511	10,034	-	-

31. Commitments (cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(b) Service concession facilities commitments				
Approved and contracted for	1,736	4,887	-	-
Approved but not contracted for	-	923	-	-
	1,736	5,810	-	-

(c) Finance lease commitments

The Group has finance leases for certain items of motor vehicles, heavy equipment, plant and machinery (Note 12). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2017 RM'000	2016 RM'000
Minimum lease payments:		
Not later than 1 year	384	757
Later than 1 year and not later than 2 years	181	279
Later than 2 years and not later than 5 years	30	43
Total minimum lease payments	595	1,079
Less: Amounts representing finance charges	(30)	(49)
Present value of minimum lease payments	565	1,030
Present value of payments:		
Not later than 1 year	363	717
Later than 1 year and not later than 2 years	181	271
Later than 2 years and not later than 5 years	21	42
Present value of minimum lease payments	565	1,030
Less: Amount due within 12 months (Note 23)	(363)	(717)
Amount due after 12 months (Note 23)	202	313

32. Contingent Liabilities (unsecured)

(i) The Company's wholly owned subsidiary, Suara Baru Sdn. Bhd. ("SBSB") had commenced legal proceedings against Borhill Estates Sdn. Bhd. ("BESB") in the Sessions Court at Sandakan vide Suit No. SDK-A 52-63/7-2013 ("Suit") on 19 July 2013 to claim the sum of RM115,169, being the amount due and owing by BESB to SBSB in respect of block stones and crusher run A stones ("Stones") supplied by SBSB to BESB. In defending the Suit, BESB had contended, among others, that the Stones supplied by SBSB did not fit the description of stones ordered by BESB, were not of merchantable quality, and were not fit for the purpose they were ordered for. BESB had also filed a counterclaim against SBSB, among others, a sum of RM5,612,850 in respect of BESB's purported loss of profit allegedly caused by SBSB's alleged breach. The Suit was subsequently transferred to the High Court of Sabah and Sarawak at Sandakan on 13 October 2014 and registered as Suit No. SDK-22NCvC-39/11-2014. Both parties were unable to resolve the dispute through mediation on 19 October 2015. The Suit is now fixed for trial from 1 August 2016 to 5 August 2016. On 8 December 2016, the trial of the Suit has been concluded. SBSB has filed its closing submissions on 3 February 2017 and Submissions in Reply to BESB's Written Submissions on 20 February 2017. On 2 May 2017, the High Court had allowed SBSB's claim against BESB and dismissed BESB's counterclaim. BESB has filed an appeal to the Court of Appeal against the decision of the Court of Appeal. The appeal is presenting fixed for hearing on 18 July 2018.

The Board of Directors of the Company is of the view that the Suit will have no immediate material financial and operational impact on the Company and the Group as the Company expects that pursuant to the facts of the case, the documents presently available and advice of its solicitors, the Company will be able to advance a cogent defence to BESB's counterclaim.

(ii) On 14 June 2016, a wholly-owned subsidiary of the Company, Suara Baru Sdn Bhd (SB) has been served with a Writ of Summons issued in the High Court in Sabah and Sarawak at Sandakan.

SB is the sub-lessee of 33 lots of land totalling approximately 500 acres situated in Sungai Sekong in the District of Sandakan, Sabah with a lease term of 99 years from year 1997 to 2096 by Suwaya (1st Defendant). The said lands had been transferred to the 1st Defendant by their previous 33 owners, including Yuh @ Abdul Salleh Bin Pompulu ("Plaintiff"). The said lands was recognised as lease rental payable by the Group amounting to RM99,357.

The Plaintiff now, on his behalf and the other 32 previous owners, allege that the transfer of the said lands to the 1st Defendant was through forged documents and therefore the said transfer is null and void and thus, the sublease to SB is likewise null and void.

The Board of Directors of the Company is of the view that the suit will have no immediate material financial and operational impact on the Company as the Company expects that pursuant to the facts of the case, the documents presently available and the advice of its solicitors, the Company has a good defence against the Plaintiff's claim. SB had filed their defence in the High Court in Sabah and Sarawak at Sandakan on 11 July 2016.

On 1 December 2016, High Court in Sabah and Sarawak had dismissed the application on the ground that this was not a proper case to be disposed of by way of affidavit evidence.

On 28 December 2016, SB had filed an appeal to the Court of Appeal against the decision of the High Court. The appeal was heard and dismissed by Court of Appeal on 17 November 2017. The Company had filed a motion for leave to appeal to the Federal Court on 12 December 2017. The leave to appeal is presently fixed for hearing on 10 April 2018.

33. Fair value of financial instruments

Set out below, is a comparison by classes of the carrying amounts and fair values of the financial instruments, other than those with carrying amounts are reasonable approximate of fair value:

	2017		2016	
	Carrying Amount RM'000	Fair Value (Level 2) RM'000	Carrying Amount RM'000	Fair Value (Level 2) RM'000
Group				
Financial Liabilities:				
Loans and borrowings (non current)				
- Obligations under finance lease	202	202	313	303

The management assessed that fair value of cash and short-term deposits, trade receivables, trade payables, short-term loan and borrowings and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair value:

<u>Finance lease obligations</u>

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

<u>Financial guarantees</u>

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

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

The fair value of the financial guarantees is negligible as the probability of the financial guarantees being called is remote as those subsidiaries will be able to meet their short term loans and borrowings obligations as and when they are due.

34. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity price risk.

The Board of Directors reviews and agrees on policies and procedures for the management of these risks, which are executed by Executive Committee. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty defaults on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

<u>Exposure to credit risk</u>

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.

- A nominal amount of RM118,300,000 (2016: RM118,300,000) relating to corporate guarantees provided by the Company to banks for credit facilities granted to subsidiaries.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 19.

34. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Credit risk concentration profile

At the reporting date, approximately 49% (2016: 53%) of the Group's trade receivables were due from 2 major customers.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 19. Deposits with banks and other financial institutions, and short-term investment that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations associated with financial liabilities that are settled by delivery of cash or another financial assets. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At the reporting date, approximately 53% (2016: 49%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

34. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

(i) The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted amounts.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2017				
Group				
Financial liabilities:				
Trade and other payables	29,179	-	-	29,179
Loans and borrowings	62,809	49,379	6,436	118,624
Total undiscounted financial liabilities	91,988	49,379	6,436	147,803
Company				
Financial liabilities:				
Trade and other payables	20,931	-	-	20,931
Loans and borrowings	22,111	19,047	6,437	47,595
Total undiscounted financial liabilities	43,042	19,047	6,437	68,526
Financial guarantee contracts	118,300	-	-	118,300
2016				
Group				
Financial liabilities:				
Trade and other payables	31,828	-	-	31,828
Loans and borrowings	69,234	65,026	10,886	145,146
Total undiscounted financial liabilities	101,062	65,026	10,886	176,974
Company				
Financial liabilities:				
Trade and other payables	49,272	-	-	49,272
Loans and borrowings	28,591	19,879	10,886	59,356
Total undiscounted financial liabilities	77,863	19,879	10,886	108,628
Financial guarantee contracts	118,300	-	-	118,300

34. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

(ii) At the reporting date, all the Company's financial liabilities which based on contractual undiscounted amounts are due either on demand or settle within one year.

(c) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's profit before tax would have been RM111,495 (2016: RM136,239) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group holds cash and cash equivalents denominated in foreign currency for working capital purposes. At the reporting date, such foreign currency balances (mainly in AUD, Euro and GBP) amounted to RM6 million (2016: RM6.5 million).

34. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the AUD, Euro and GBP exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Increase/(Decrease) in Profit Net of Tax Group	
	2017 RM	2016 RM
AUD/RM		
- strengthened 5% (2016: 5%)	(288,101)	(310,057)
- weakened 5% (2016: 5%)	288,101	310,057
Euro/RM		
- strengthened 5% (2016: 5%)	(3,367)	(3,382)
- weakened 5% (2016: 5%)	3,367	3,382
GBP/RM		
- strengthened 5% (2016: 5%)	(7,342)	(7,524)
- weakened 5% (2016: 5%)	7,342	7,524

(e) Commodity price risk

The price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, government policies, changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops.

Sensitivity analysis for commodity price risk

At the reporting date, if the Crude Palm Oil price had been 5% higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM1,458,330 (2016: RM1,102,296) higher/lower.

Notes to the Financial Statements
For the financial year ended 31 December 2017 (cont'd)

35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group 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 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 years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within acceptance level. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents.

		Group		Company	
		2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Loans and borrowings	23	110,365	130,119	44,450	53,150
Trade and other payables	24	29,179	31,828	20,931	49,272
Less: Cash and cash equivalents	22	(19,215)	(19,365)	(1,134)	(467)
Net debt		120,329	142,582	64,247	101,955
Capital:					
Equity attributable to owners of the parent		496,771	473,829	370,795	328,496
Capital and net debt		617,100	616,411	435,042	430,451
Gearing ratio		19%	23%	15%	24%

36. Segment information

For management purposes, the Group is organised into business units based on their product and services, and has three reportable operating segments as follows:

(i) Plantation - Cultivation oil palm
(ii) Mill - Milling and sale of oil palm products
(iii) Power plant - Power generation and sale biomass by-products
(iv) All other segments - Extraction and sale of earth stones and others

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

36. Segment information (cont'd)

	Plantation 2017 RM'000	Plantation 2016 RM'000	Mill 2017 RM'000	Mill 2016 RM'000	Power plant 2017 RM'000	Power plant 2016 RM'000	All other segments 2017 RM'000	All other segments 2016 RM'000	Adjustment and elimination 2017 RM'000	Adjustment and elimination 2016 RM'000	Note	Per consolidated financial statements 2017 RM'000	Per consolidated financial statements 2016 RM'000
Revenue:													
External customers	27,312	18,552	219,937	195,508	26,070	39,380	815	1,228	-	-		274,134	254,668
Inter-segment	46,219	47,757	-	-	-	1,685	642	489	(46,861)	(49,931)	A	-	-
Total revenue	73,531	66,309	219,937	195,508	26,070	41,065	1,457	1,717	(46,861)	(49,931)		274,134	254,668
Results:													
Interest income	513	381	2,603	2,512	7,693	6,652	4,574	3,350	(6,977)	(5,629)		8,406	7,266
Depreciation and amortisation	2,700	2,693	3,129	2,836	780	754	570	568	467	467		7,646	7,318
Segment profit	33,695	28,469	5,002	2,257	11,592	11,469	9,475	5,305	(19,247)	(16,778)	B	40,517	30,722
Assets:													
Additions to non-current assets	3,527	4,029	3,252	2,480	3,906	1,953	19	30	-	-	C	10,704	8,492
Segment assets	367,675	360,279	77,934	84,697	180,236	176,798	81,321	81,692	2,887	3,204	D	710,053	706,670
Liabilities:													
Segment liabilities	7,857	7,183	30,503	33,057	55,615	67,266	47,458	56,613	51,620	50,293	E	193,053	214,412

36. Segment information (cont'd)

Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B The profit from inter-segment sales is deducted from segment profit to arrive at "Profit before tax" presented in the consolidated statement of comprehensive income.

C Additions to non-current assets consist of:

	2017 RM'000	2016 RM'000
Property, plant and equipment	9,349	6,287
Biological assets	1,355	2,205
	10,704	8,492

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

	2017 RM'000	2016 RM'000
Deferred tax assets	2,887	3,204

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

	2017 RM'000	2016 RM'000
Deferred tax liabilities	51,620	50,293

Geographical information

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

Information about major customers

Revenue from two (2016: two) major customers amount to RM80,882,804 (30% of revenue) and RM95,743,061 (35% of revenue) respectively (2016: RM90,911,195 (36% of revenue) and RM80,118,635 (32% of revenue)) arising from mill segment.

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 28 March 2018.

List of Properties of the Group as at 31 December 2017

Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2017 RM'000	Year Acquired
1 Prolific, Wong Tet-Jung Plantations	Leasehold 99 years	2069	39.752 hectares	Oil Palm Plantation	16,338	2001
Off KM 63.7,		2070	30.607 hectares	& Oil Mill		
Sandakan-Lahad Datu Highway		2074	8.010 hectares			
		2075	207.991 hectares			
		2076	9.967 hectares			
		2077	24.460 hectares			2005
		2082	6.463 hectares			
		2082	72.790 hectares			
Kolapis-Beluran Area	Perpetuity					
District of Labuk Sugut	(Sublease 99 years)	2097	6.435 hectares			
	Leasehold 99 years	2073	2.250 hectares	Plantable Reserve		2002
			408.725 hectares			
Prolific Yield	Under Sub Division	2081	**167.220 Sq.M**	Double Storey	127	2002
Lot 38, Block C	Leasehold 99 years			Terrace Shoplot		
Taman Indah Jaya Phase 4A,	(Parent title TL077552035)					
Mile 4, Jalan Utara, Sandakan						
2 Melabau, Suara Baru, Gelang Usaha	Leasehold 99 years	2069	27.480 hectares	Oil Palm Plantation	602	2002
0.2 KM East of KM 96,		2078	17.110 hectares	Oil Palm Plantation	35,280	2001
Sandakan-Lahad Datu Highway		2079	260.780 hectares	& Quarry		
		2080	202.303 hectares			
		2081	136.615 hectares			
		2082	88.690 hectares			
		2085	252.660 hectares			
		2086	14.930 hectares			
		2095	4.993 hectares			
		2093	154.700 hectares			
		2097	12.300 hectares			
	Perpetuity					
	(Sublease 99 years)	2075	316.549 hectares			
		2080	136.763 hectares			
		2093	5.751 hectares			
		2097	10.930 hectares			
KM 28, Jalan Labuk	Leasehold 99 years	2065	1.842 hectares	Plantable Reserve		
			1,644.396 hectares			
3 Sri Likas Mewah, Ultisearch Trading						
2.6 KM north of KM 31, Sukau Road	Leasehold 99 years	2085	10.120 hectares	Oil Palm Plantation	13,784	2001
		2094	386.100 hectares			
		2096	168.700 hectares			
		2098	47.750 hectares			
			612.670 hectares			
4 Bakara	Leasehold 99 years	2085	150.300 hectares	Oil Palm Plantation	12,844	2001
Bukit Garam/Sg. Lokan		2087	400.000 hectares			
Off KM 76.5, Sandakan-Lahad Highway			**550.300 hectares**			
5 Cepatwawasan & Kovusak	Leasehold 99 years	2061	992.700 hectares	Oil Palm Plantation	40,161	2001
KM 4.5, Jalan Beluran		2071	133.550 hectares			
		2078	485.300 hectares			
			1,611.550 hectares			
6 Razijaya & Sugguh Mulia	Leasehold 99 years	2098	**362.200 hectares**	Oil Palm Plantation,	14,076	2001
Sungai-Sungai Locality,				Quarry &		
99 KM North-West of Sandakan				Plantable Reserve		

List of Properties of the Group as at 31 December 2017 (cont'd)

	Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2017 RM'000	Year Acquired
7	Prima Semasa Sonsogon Suyad, Paitan Locality 105 KM North-West of Sandakan	Leasehold 99 years	2094	**2,997.000 hectares**	Oil Palm Plantation & Plantable Reserve	42,179	2003
8	Cepatwawasan, Tentu Bernas, Tentu Cergas, Liga Semarak & Jutategak Sg.Kawananan Locality 113 KM North-West of Sandakan	Leasehold 99 years	2097 2098 2099 2100	242.800 hectares 145.710 hectares 48.550 hectares 48.520 hectares **485.580 hectares**	Oil Palm Plantation & Plantable Reserve	7,269	2005
9	Ladang Cepat-KPD 85 KM South-West of Beaufort	Leasehold 99 years	2087	**1,602.840 hectares**	Oil Palm Plantation	47,913	2007
10	Cepatwawasan Group Berhad Lot 70, Block 6, Prima Square Mile 4, North Road Sandakan	Leasehold 99 years	2106	**564.386 Sq.M**	Three Storey Shop/Office	1,115	2009
	Cepatwawasan Group Berhad Unit no. F-7-2, Level 7, Block F Utama Court, Phase 2, Mile 6 North Road, Sandakan	Leasehold 99 years	2081	**106.500 Sq.M**	Eight Storey Apartment	159	2011
	Cepatwawasan Group Berhad Unit no. F-8-2, Level 8, Block F Utama Court, Phase 2, Mile 6 North Road, Sandakan	Leasehold 99 years	2081	**106.500 Sq.M**	Eight Storey Apartment	169	2011
	Cepatwawasan Group Berhad Unit no. B1-10-1, Sri Utama Condominiums Mile 6, North Road Sandakan	Leasehold 99 years	2081	**122.140 Sq.M**	Eight Storey Condominium	436	2015
	Cepatwawasan Group Berhad Unit no. B1-10-3, Sri Utama Condominiums Mile 6, North Road Sandakan	Leasehold 99 years	2081	**105.140 Sq.M**	Eight Storey Condominium	359	2015
11	Mistral Engineering Off KM 63.7, Sandakan-Lahad Datu Highway	Leasehold 99 years	2074	**3.115 hectares**	Biogas power plant	361	2012
12	Cash Horse Off KM 63.7, Sandakan-Lahad Datu Highway	Leasehold 99 years	2074	**7.070 hectares**	Biomass power plant	6,416	2012

List of Properties of the Group as at 31 December 2017 (cont'd)

	Location of Property Kuala Lumpur	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2017 RM'000	Date of Last Revaluation
13	Minelink HS (D) 118739, No. PT 9103 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**896.976 Sq.M**	High-end residential property	7,339	2017
	Minelink HS (D) 118740, No. PT 9104 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**877.693 Sq.M**	High-end residential property	7,181	2017
	Minelink HS (D) 118741, No. PT 9105 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**896.829 Sq.M**	High-end residential property	7,337	2017
	Minelink HS (D) 118742, No. PT 9106 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**878.490 Sq.M**	High-end residential property	7,188	2017
	Minelink HS (D) 118743, No. PT 9107 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**884.183 Sq.M**	High-end residential property	7,234	2017
	Minelink HS (D) 118744, No. PT 9108 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**863.043 Sq.M**	High-end residential property	7,061	2017

Statistical Report as at 28 February 2018

Issued & Fully Paid-Up Share Capital	:	318,446,210 (including treasury shares of 9,479,200)
Type of Share	:	Ordinary Share
No. of Shareholders	:	7,183
Voting Rights	:	One Vote for Every Share

ANALYSIS BY SIZE OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 to 99	79	1.099	3,369	0.001
100 to 1,000	528	7.350	356,140	0.115
1,001 to 10,000	4,022	55.993	20,895,738	6.763
10,001 to 100,000	2,247	31.282	67,289,050	21.778
100,001 to 15,448,349 (*)	305	4.246	115,536,263	37.394
15,448,350 AND ABOVE (**)	2	0.027	104,886,450	33.947
TOTAL :	**7,183**	**100.000**	**308,967,010**	**100.000**

* - LESS THAN 5% OF ISSUED SHARES
** - 5% AND ABOVE OF ISSUED SHARES

LIST OF SUBSTANTIAL SHAREHOLDERS

as per the Register of Substantial Shareholders as at 28 February 2018

Shareholders	No. of Shares Direct	%	No. of Shares Indirect	%	
MHC Plantations Bhd	88,831,200	28.75	30,000,000	9.71	(1)
Dato' Mah Pooi Soo Realty Sdn Bhd	-	-	118,831,200	38.46	(2)
Tan Sri Dr Mah King Thian @ Mah King Thiam	-	-	118,831,200	38.46	(2)
Dato' Seri Mah King Seng	-	-	118,831,200	38.46	(2)
Datin Seri Ooi Ah Thin	-	-	118,831,200	38.46	(2)
Yew Lee Holdings Sdn. Berhad	16,055,250	5.20	13,944,750	4.51	(3)

Notes:
1. *Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of its shareholdings in Yew Lee Holdings Sdn Berhad and Hutan Melintang Plantations Sdn Berhad*
2. *Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue his/her shareholdings in MHC Plantations Bhd.*
3. *Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of its shareholdings in Hutan Melintang Plantations Sdn Berhad*

TOTAL ISSUED SHARES AS AT 28 FEBRUARY 2018 : 318,446,210
TREASURY SHARES AS AT 28 FEBRUARY 2018 : 9,479,200
'ADJUSTED' CAPITAL AFTER NETTING TREASURY SHARES AS AT 28 FEBRUARY 2018 : 308,967,010

Statistical Report as at 28 February 2018 (cont'd)

LIST OF DIRECTORS' SHAREHOLDINGS
as per the Register of Directors' Shareholdings as at 28 February 2018

	Directors	No. of Shares Direct	%	No. of Shares Indirect	%	
1	Tan Sri Dr Mah King Thian @ Mah King Thiam	-	-	118,831,200	38.46	(1)
2	Dato' Seri Mah King Seng	-	-	118,831,200	38.46	(1)
3	Chua Kim Yin	-	-	-	-	
4	Chan Kam Leong	-	-	540,000	0.17	(2)
5	Choong Pak Wan	15,000	-	-	-	

Notes:
1. *Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue his shareholdings in MHC Plantations Bhd.*
2. *Deemed interested pursuant to Section 59 of the Companies Act 2016 by virtue his spouse's interest.*

TOTAL ISSUED SHARES AS AT 28 FEBRUARY 2018 : 318,446,210
TREASURY SHARES AS AT 28 FEBRUARY 2018 : 9,479,200
'ADJUSTED' CAPITAL AFTER NETTING TREASURY SHARES AS AT 28 FEBRUARY 2018 : 308,967,010

LIST OF TOP 30 HOLDERS as at 28 February 2018

No.	Names	Holdings	%
1	MHC PLANTATIONS BHD.	88,831,200	28.751
2	YEW LEE HOLDINGS SDN. BERHAD	16,055,250	5.196
3	HUTAN MELINTANG PLANTATIONS SDN. BERHAD	13,944,750	4.513
4	JUWITAWAN SDN BHD	4,873,050	1.577
5	TLK CAPITAL SDN. BHD.	4,400,000	1.424
6	LI NAI KWONG	3,104,913	1.004
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD *JINCAN SDN BHD*	2,850,000	0.922
8	GAN HONG LIANG	2,057,250	0.665
9	TEEN INN HOON	1,600,000	0.517
10	LEE GUAN HUAT	1,549,850	0.501
11	MKW JAYA SDN. BHD.	1,328,250	0.429
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR LEOW MING FONG @ LEOW MIN FONG (PBCL-0G0161)*	1,250,000	0.404
13	TAN LEE GIEOK	1,130,000	0.365
14	SU MING YAW	1,118,000	0.361
15	KONG SIAU LING @ NATALIE	1,100,000	0.356
16	NGOH AH CHYE	1,065,000	0.344

Statistical Report as at 28 February 2018 (cont'd)

LIST OF TOP 30 HOLDERS as at 28 February 2018 (cont'd)

No.	Names	Holdings	%
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WANG CHOON SEANG (E-TMR)*	1,025,900	0.332
18	TAN AIK CHOON	1,008,400	0.326
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YAP QWEE BENG (E-KPG)*	1,002,100	0.324
20	CHENG GEK HONG	975,000	0.315
21	ROVENT SDN. BHD.	968,100	0.313
22	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YEW BOON HEAN (YEW0048C)*	955,550	0.309
23	CHYE AH LAM @ CHAI MING SENG	938,000	0.303
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GAN TEE JIN*	900,000	0.291
25	MERCSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIOW WONG YEN @ SIOW KWANG HWA*	880,000	0.284
26	LEE MENG GEN	870,000	0.281
27	LAM SO HA @ LIM CHONG SWEE	862,600	0.279
28	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TEE KIM TEE @ TEE CHING TEE (M09)*	850,100	0.275
29	TEE LIP SIN	844,300	0.273
30	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NUMINA GEM SDN BHD*	800,000	0.258
	TOTAL	**159,137,563**	**51.506**

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Form of Proxy

CDS Account No.	No of Shares Held

I/We ____ (BLOCK LETTERS)

NRIC No./Company No. ____ of

____

being (a) Member(s) of CEPATWAWASAN GROUP BERHAD (536499-K) hereby appoint the following person(s):

Name of proxy & NRIC No.	No. of shares to be represented by proxy
1. ______________________	______________
2. ______________________	______________

or failing him/her,

1. ______________________	______________
2. ______________________	______________

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at Amadeus III, Level 2, Sabah Hotel Sandakan, KM 1, Jalan Utara, Sandakan, Sabah on Wednesday, 9 May 2018 at 11.00 a.m. and at any adjournment thereof and to vote as indicated below:-

	FOR	AGAINST
ORDINARY RESOLUTION 1		
ORDINARY RESOLUTION 2		
ORDINARY RESOLUTION 3		
ORDINARY RESOLUTION 4		
ORDINARY RESOLUTION 5		
ORDINARY RESOLUTION 6		
ORDINARY RESOLUTION 7		
ORDINARY RESOLUTION 8		
ORDINARY RESOLUTION 9		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this __________ day of ________________________ , 2018

____
Signature / Seal of Member

Notes:

(a) Only members whose names appear on the Record of Depositors as at 2 May 2018 shall be entitled to attend, speak and vote at the said meeting or appoint proxies on his/her behalf.

(b) A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend, speak and vote at the same meeting. A proxy may but need not be a member of the Company.

(c) Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

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

(e) To be valid this form duly completed must be deposited at the Company's Share Registrar's Office at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting.

(g) Form of Proxy sent through facsimile transmission shall not be accepted.

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Stamp

CEPATWAWASAN GROUP BERHAD (536499-K)
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.

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