ANNUAL
REPORT
2018

TSH RESOURCES BERHAD
(49548-D)

2018

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Ninth Annual General Meeting ("AGM") of the Company will be held at Ballroom 2, LG Level, Eastin Hotel, 13, Section 16/11, Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan on 28 May 2019 at 10.00 am to transact the following businesses:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. **Please refer to Explanatory Note 1**

2. To declare a first and final single tier dividend of 1.0 sen per ordinary share for the financial year ended 31 December 2018. **Resolution 1**

3. To approve payment of Directors' fees of RM177,000 for the financial year ended 31 December 2018. **Resolution 2**

4. To approve payment of Directors' benefits (excluding Directors' fees) of up to an aggregate amount of RM1,610,000 from 29 May 2019 until the next AGM of the Company in 2020. **Resolution 3**

5. To re-elect Natasha binti Mohd Zulkifli, who is retiring in accordance with Clause 97 of the Company's Constitution, and who being eligible, offers herself for re-election. **Resolution 4**

6. To re-elect the following Directors who are retiring by rotation in accordance with Clause 100 of the Company's Constitution, and who being eligible, offer themselves for re-election:

   a) Yap Boon Teck **Resolution 5**
   b) Chew Siew Yeng **Resolution 6**
   c) Tan Aik Yong **Resolution 7**

7. To re-appoint Messrs BDO PLT as the Company's Auditors and to authorise Directors to fix their remuneration. **Resolution 8**

As Special Business:

To consider and, if thought fit, pass the following resolutions:-

8. **ORDINARY RESOLUTION 1**
   PROPOSED AUTHORITY TO ISSUE SHARES **Resolution 9**

   "**THAT**, subject always to the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered by the shareholders pursuant to Sections 75 and 76 of the Companies Act 2016 to issue new ordinary shares in the Company from time to time at such price, upon such terms and conditions, provided that the aggregate number of the new ordinary shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being **AND THAT** the Directors be and are empowered to obtain the approval from the Bursa Malaysia Securities Berhad ("Bursa Securities") for listing of and quotation for the additional new ordinary shares to be issued **AND THAT** such authority shall continue in force until the conclusion of the next AGM of the Company."

9. **ORDINARY RESOLUTION 2**
PROPOSED RENEWAL OF THE AUTHORITY FOR SHARE BUY-BACK **Resolution 10**

"**THAT**, subject to the Companies Act 2016, the Bursa Securities Main Market Listing Requirements ("Listing Requirements"), the Company's Constitution and the approvals of other relevant authorities, the Company be and is hereby authorised to purchase and hold such number of ordinary shares in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company **AND THAT** the maximum amount of funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of RM249,350,000 based on the latest audited financial statements as at 31 December 2018.

THAT such authority shall commence immediately upon passing of this ordinary resolution until the conclusion of the next AGM of TSH unless earlier revoked or varied by ordinary resolution passed by the shareholders of TSH in a general meeting or upon the expiration of the period within which the next AGM is required by law to be held, whichever occurs first.

THAT the Directors be and are hereby authorised to take all steps necessary to implement, finalise and to give full effect to the Proposed Share Buy-Back **AND FURTHER THAT** authority be and is hereby given to the Directors to deal with the shares so purchased in their absolute discretion in any of the following manner:-

(i) cancel the shares so purchased; or

(ii) retain the shares so purchased as treasury shares and held by the Company; or

(iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or

(iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or

(v) transfer all or part of the treasury shares for purposes of an employees' share scheme, and/or as purchase consideration; or

in any other manner as prescribed by the Companies Act 2016, rules, regulations and guidelines pursuant to the Companies Act 2016, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authority for the time being in force."

10. **ORDINARY RESOLUTION 3**
PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE **Resolution 11**

"**THAT** approval be and is hereby given for the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the day to day operations and on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Part B, Section 2.2 of the Circular to Shareholders dated 29 April 2019 ("Mandate").

Notice of Annual General Meeting

THAT such Mandate shall commence upon passing of this ordinary resolution and continue in force until:-

(a) the conclusion of the next AGM of the Company following the general meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting whereby the authority is renewed;

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier.

THAT the Directors be and are hereby empowered to do all such acts and things (including executing all such documents as may be required) as they may be considered expedient or necessary to give full effect to the Mandate with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities."

11. To transact any other business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the first and final single tier dividend of 1.0 sen per ordinary share for the financial year ended 31 December 2018, if approved by the shareholders at the forthcoming Annual General Meeting will be paid on 20 June 2019 to depositors registered in the Record of Depositors at the close of business on 29 May 2019.

A depositor shall qualify for entitlement only in respect of:-

a) shares transferred into the depositor's securities account before 4.00 pm on 29 May 2019 in respect of transfers; and

b) shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

CHOW YEEN LEE (MAICSA 7047480)
Company Secretary

Kuala Lumpur
29 April 2019

Notice of Annual General Meeting

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 21 May 2019 be regarded as members and entitled to attend, speak and vote at the meeting.

2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than 2 proxies to attend and vote in his stead. Where a member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.

3. If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit and if no names are inserted in the space for the name of proxy, the Chairman of the meeting will act as proxy.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy shall be in writing under the hand of the depositor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal and shall be deposited at Boardroom Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, not less than 48 hours before the time appointed for holding this meeting or adjourned meeting.

6. Pursuant to Paragraph 8.29A of Bursa Securities Main Market Listing Requirements, all resolutions set out in the Notice of Thirty-Ninth AGM will be put to vote on a poll.

Explanatory Notes:

1. The audited financial statements are meant for discussion only as it does not require shareholders' approval under the provision of Section 340(1)(a) of the Companies Act 2016. Hence, it will not be put for voting.

2. With reference to Section 131 of the Companies Act 2016, a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent.

   On 27 February 2019, the Board had considered the amount of dividend and decided to recommend the same for the shareholders' approval. The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made on 20 June 2019 in accordance with the requirements under Sections 132(2) and (3) of the Companies Act 2016.

3. Resolution 2, the Company is seeking shareholders' approval for payment of Directors' fees totalling RM177,000.

   Details of the above are set out in Note 14 to the financial statements. The remuneration of each Director is set out in the Corporate Governance Report.

4. Resolution 3, the benefits are payable to eligible Non-Executive Directors comprise among others, monthly allowance to the Chairman of the Company in recognition of his significant oversight and leadership roles in the Group, Board committee allowance, business travelling allowance, petrol allowance and other benefits-in-kind including company car and driver as well as other emoluments.

5. Resolution 9 is a renewal of the general mandate empowering the Directors of the Company pursuant to Sections 75 & 76 of the Companies Act 2016, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the general mandate does not exceed ten percent (10%) of the issued share capital of the Company for the time being. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

   As at the date of this notice, the Company did not issue any new shares pursuant to the general mandate granted to the Directors at the last AGM held on 24 May 2018.

The renewal of the general mandate will provide flexibility to the Company for any possible fund raising activities without the need to convene a separate general meeting to specifically approve such issuance of shares and thereby reducing administrative time and costs associated with the convening of such meeting. However, at this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

6. For Resolutions 10 and 11, further information on the Proposed Renewal of the Authority for Share Buy-Back and Proposed Renewal of the Existing Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature are set out in the Circular to Shareholders dated 29 April 2019.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"),

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Details of persons who are standing for election as Directors

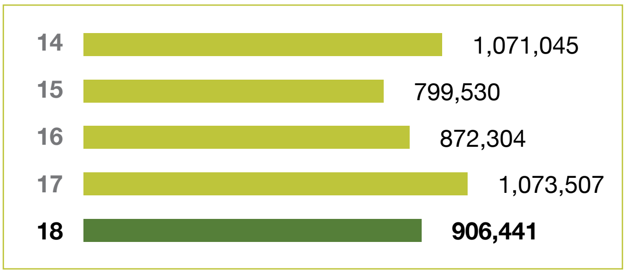
   No individual is seeking election as a Director at the Thirty-Ninth Annual General Meeting of the Company.

2. Statement relating to general mandate for issue of securities

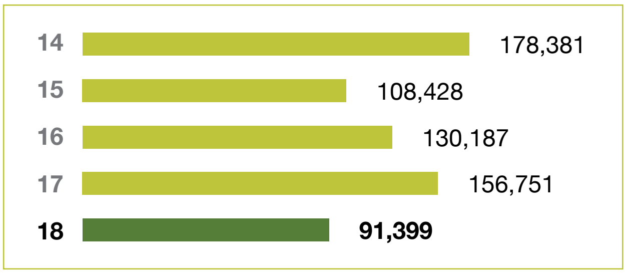
   Please refer to Explanatory Note 5 of the Notice of Thirty-Ninth Annual General Meeting for information relating to general mandate for issue of securities.

5 YEARS FINANCIAL HIGHLIGHTS

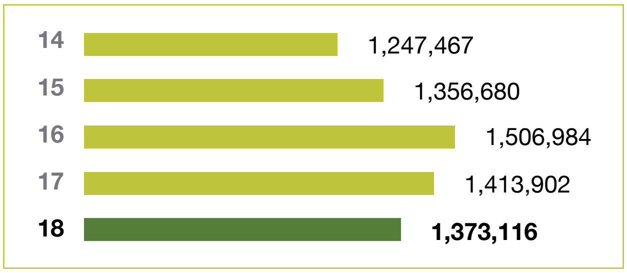
REVENUE
(RM'000)



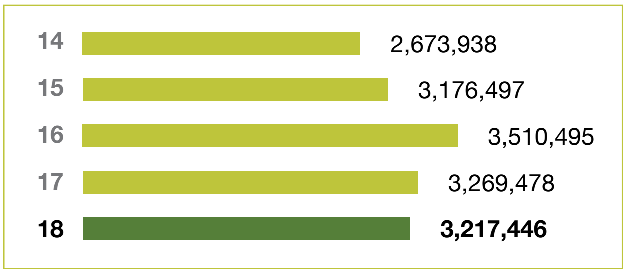
CORE PROFIT BEFORE TAXATION
(RM'000)



SHAREHOLDERS' EQUITY
(RM'000)



TOTAL ASSETS
(RM'000)



	2014	2015	2016	2017	2018
	FRS	FRS	FRS	MFRS	MFRS
INCOME STATEMENT					
All figure in RM'000					
Revenue	1,071,045	799,530	872,304	1,073,507	906,441
Core Profit before taxation	178,381	108,428	130,187	156,751	91,399
Profit / (Loss) before taxation	187,452	(85,788)	113,580	173,238	81,663
Net profit / (loss) attributable to equity holders	138,767	(105,549)	57,875	97,327	40,462
BALANCE SHEET					
All figure in RM'000					
Share Capital	672,706	672,706	672,706	740,512	740,512
Shareholders' Equity	1,247,467	1,356,680	1,506,984	1,413,902	1,373,116
Total Assets	2,673,938	3,176,497	3,510,495	3,269,478	3,217,446
FINANCIAL INDICATORS *					
Earnings/ (Loss) per share (sen)					
- Basic	10.31	(7.85)	4.30	7.13	2.93
- Diluted	10.31	(7.85)	4.30	7.13	2.93

* EPS & net assets are calculated taking accounts the bonus issue in 2014.

MANAGEMENT DISCUSSION & ANALYSIS STATEMENT 2018

PROFILE OF TSH GROUP

TSH Group is principally engaged in oil palm cultivation and processing of Fresh Fruit Bunches (FFB) into Crude Palm Oil (CPO) and Palm Kernel (PK). This business activity generally accounts for almost 85% of the Group's revenue. The Group's oil palm estates and palm oil mills are located in Sabah and parts of Kalimantan and Sumatera in Indonesia. As at 31 December 2018, it has approximately 100,000 hectares (ha) of plantation landbank of which approximately 42,000 ha are planted.

The Group's other business activities include the operations of biomass and biogas power plants in Sabah; industrial tree plantation at the Forest Management Unit in Ulu Tungud, Sandakan, Sabah; manufacturing and marketing of engineered hardwood flooring; and processing and marketing of cocoa products.

The Group has come a long way from its humble beginnings in the cocoa business. At the time it was listed on the Kuala Lumpur Stock Exchange in 1994, it had already established itself as a major player in the cocoa industry in Malaysia namely, the single largest exporter of cocoa beans and products in the country. Not content to rest on its laurels, the Group ventured into the oil palm industry in Sabah in the 1990s and subsequently in Kalimantan and Sumatera, Indonesia in the 2000s. As it expanded its oil palm hectarage, the Group also extended its value chain by setting up palm oil mills in the vicinity of some of its plantations. In 2007, the Group ventured further downstream into palm oil refinery and palm kernel crushing plants in Sabah, via a 50:50 joint venture with a member of Wilmar International Group.

In the early 2000s, the Group also diversified into the palm bio-integration segment by setting up biomass power plants which use empty fruit bunches, and a biogas power plant which uses palm oil mill effluent to generate electricity and steam respectively. The Group's 14MW biomass cogeneration plant in Kunak is the first biomass power plant in the country that is connected to the grid. The biomass power plant has a renewable energy power purchase agreement with Sabah Electricity Sdn Bhd to supply up to 10MW of green electricity. The co-generation plant generates electricity and industrial steam from solid by-product of the mill.

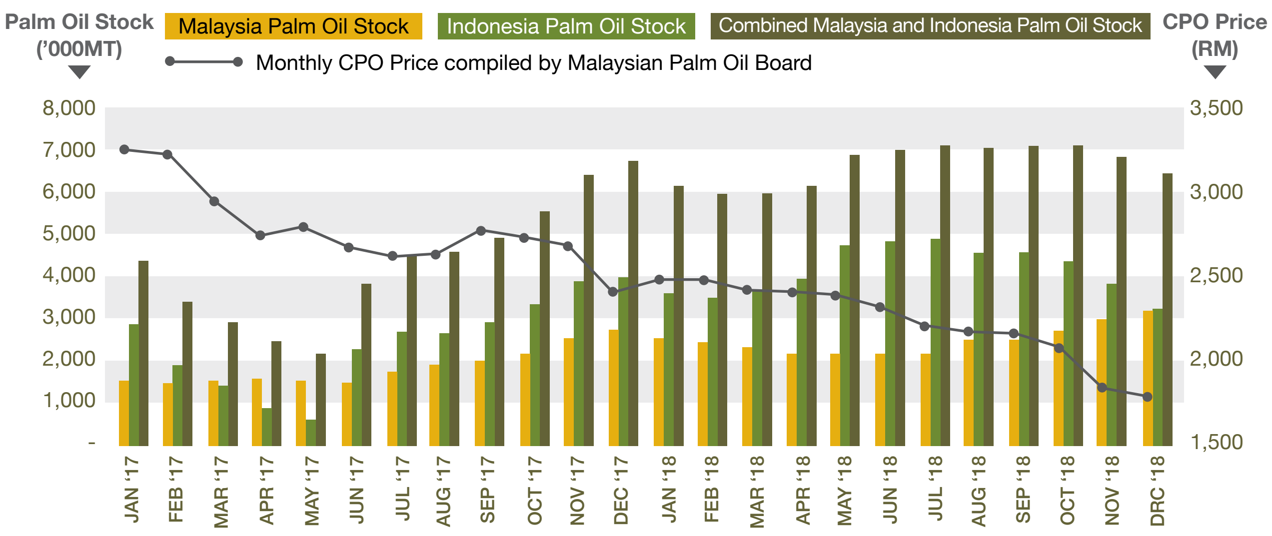
Despite being a relatively latecomer to the oil palm industry compared to more established players, the Group has made great strides over the years to establish itself as a notable oil palm player in the region. The Group's aspiration is to continue to build on its achievements to generate sustainable growth and create value to all stakeholders.

Management Discussion & Analysis Statement 2018

OVERVIEW

2018 has been a challenging year for the Group, characterised by depressed palm product prices due to high palm oil inventory levels coupled with a soft demand market environment.

The chart below presents the monthly Malaysian, Indonesian and combined palm oil stockpiles in 2017 and 2018 juxtaposed against CPO price. There was a noticeable trend of an inverse relationship between level of stockpile and CPO price, particularly in 2018. The increase in the stockpile was due to inter alia the rise in production volume, especially out of Indonesia, as well as lower palm oil demand from India and the European Union (EU), the world's two largest importers of palm oil.



Indonesia's 2018 CPO production registered an increase of 12.5% from 38.17 million metric tonne (mt) in 2017 to 43 million mt, the highest ever production in its history. Although Malaysia recorded a slight drop in CPO production to 19.5 million mt from 19.9 million mt in 2017, the overall strong supply from Indonesia coupled with a weak demand market pushed stockpiles up. This was particularly pronounced from May to October, when the seasonal high production cycle kicked in.

The overall increase in CPO output however, was not matched by a similar increase in demand. In particular, both India and the EU, the two largest buyers of palm oil, saw a reduction of their respective palm oil imports. In the case of India, it raised import tax on CPO to 44% from 30% and increased the tax on refined palm oil to 54% from 40% in March 2018. This led to sharp declines in its palm oil imports in April, May and June 2018. In June 2018, its palm oil import plunged 41% from a year earlier to their lowest in over 4 years. The effect of this was particularly felt by Indonesia which saw it palm oil shipments to India fell 12% to 6.71 million mt from 7.63 million tons in 2017. Indonesia's exports to the next largest market namely the EU, also fell 5% to 4.78 million mt from 5.03 million mt recorded in 2017.

In September 2018, Indonesia expanded the mandatory use of the 20% biodiesel blend (B20) to non-public service obligation sectors in its efforts to inter alia boost domestic biodiesel consumption to absorb CPO amid its weakening price. As a result, the absorption of biodiesel through the B20 program increased 72% to 3.8 million mt from 2.2 million mt in 2017. This in turn helped to reduce Indonesia's CPO stockpile in the last quarter of the year. Malaysia, on the other hand saw its CPO stockpile increased progressively in the second half of the year. By November 2018, its stockpile rose above 3 million mt and it closed the year with a figure of 3.2 million mt, the highest ever in records going back to 2000.

As stockpiles trended upwards, we saw CPO price moved in the opposite direction throughout 2018. In addition, concerns over the trade war between the United States and China as well as rising threats of discriminatory and protectionist policies on palm products further weighed on CPO price. The average CPO price slid from RM2,486 in January to RM1,794 in December, losing 28% of its value during the 12 month period. Consequently, the average CPO price in 2018 had also declined 20% to RM2,232 from RM2,783 in 2017.

Management Discussion & Analysis Statement 2018

As a result of the downturn in oil price, the Group's revenue declined 15.5% to RM0.91 billion from RM1.07 billion in 2017. Be that as it may, the Group had remained resilient, focussing our efforts on productivity improvement and cost rationalisation to turn in a core profit before tax of RM91.4 million.

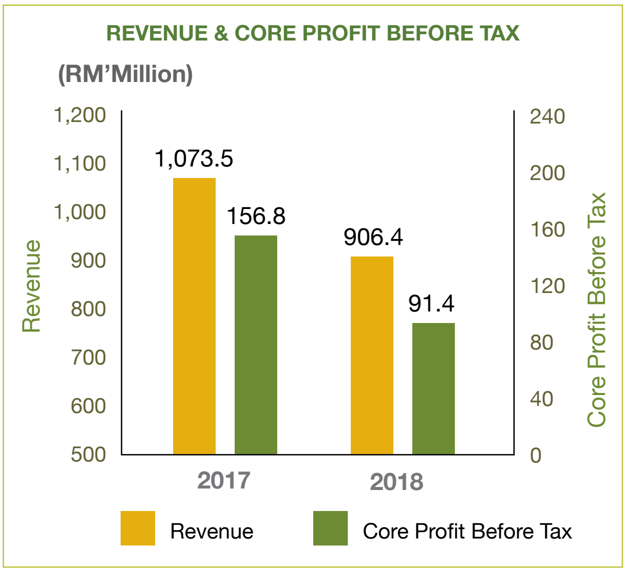
As we have entered in 2019, signs are indicating a more promising year for the oil palm market with CPO price already on a recovery trajectory. We are therefore cautiously optimistic of the outlook for the Group for 2019, which is elaborated in Outlook and Prospects below.

2018 FINANCIAL HIGHLIGHTS

(RM'000 unless otherwise stated)	2018	2017
Revenue	906,441	1,073,507
Profit before interest & tax	125,699	215,011
Core profit before tax	91,399	156,751
Pre-tax profit	81,663	173,238
Net profit	51,924	121,435
Net profit attributable to equity holders	40,462	97,327
Cash flows from operations	222,805	284,413
Net gearing (net of cash) (times)	0.90	0.85
Shareholders' Equity	1,373,116	1,413,902

Revenue

The Group's revenue decreased to RM906.4 million from RM1,073.5 million registered in 2017 primarily due to lower average CPO price despite an increase in FFB production. Average CPO selling price declined to RM2,086 per mt compared with RM2,701 per mt in 2017 in line with depressed market conditions resulting from a myriad of factors highlighted above. However, the negative impact of the lower CPO price was partially cushioned by a higher FFB production, which increased 20.8% to 857,802 mt compared with 710,105 mt in 2017.



Cost Of Sales

Cost of sales for the year decreased to RM619.9 million from RM711.5 million in 2017. However, gross profit margin declined to 31.6% compared to 33.7% for 2017 attributed to the significant decline in average CPO realised price.

Core Profit And Profit Before Tax

Core profit before tax decreased to RM91.4 million from RM156.8 million registered in the previous year in line with the lower revenue, partially offset by lower operating expenses. Finance costs recognised in the profit or loss increased to RM44.0 million from RM41.8 million in 2017 as a result of a higher mature hectarage.

A foreign exchange loss of RM9.7 million was recognised compared to a foreign exchange gain of RM16.5 million in 2017 due to the weakening of the Ringgit against the US Dollar. This further dragged the profit before tax down to RM81.7 million from RM173.2 million registered in 2017.

Taxation

The tax charge for the year of RM29.7 million was higher than the statutory tax rate primarily due to expenses not deductible for tax purposes and deferred tax assets in respect of tax losses of subsidiaries not being recognised.

Shareholders' Equity

Notwithstanding the net profit recorded for the year, shareholders' equity declined to RM1,373.1 million from RM1,413.9 million in the previous year. This was due to a foreign currency translation loss of RM58.5 million in respect of the Group's net investment in foreign operations which are denominated in Indonesian Rupiah (IDR), as the IDR depreciated against the Ringgit as at the end of the financial year. The foreign currency translation adjustment is a non-cash item which will fluctuate from one period to another and is not reflective of our ongoing operations.

Liquidity And Capital Resources

The Group generated an operating cash flow of RM222.8 million and free cash flow to the firm of RM40.6 million during the year. The table below provides an overview of the Group's cash flows for 2018 and 2017.

	2018 RM'000	2017 RM'000
Operating cash flow (before changes in working capital, interest & tax)	190,501	231,108
Changes in working capital	32,304	53,305
Operating cash flow	222,805	284,413
Tax paid (net of tax refund)	(49,900)	(37,372)
Cash flows from investing activities	(132,320)	(127,592)
Free Cash Flow to Firm	40,585	119,449
Cash flows from financing activities	(66,644)	(105,395)
Net (decrease)/increase in cash and cash equivalents	(26,059)	14,054

a) Cash generated from operating activities in 2018 was RM222.8 million compared with RM284.4 million generated in 2017. The decrease of RM61.6 million was primarily attributable to the lower average CPO selling price and lower cash inflow from changes in working capital.

b) Cash flows from investing activities were primarily in connection with the development and immature upkeep costs of oil palm and rubber plantations, other capital expenditures as well as dividends and interest received. Net cash outflows from investing activities increased slightly to RM132.3 million in 2018 from RM127.6 million in 2017 primarily due to lower interest and investment income.

c) Financing activities of the Group recorded lower net cash outflows of RM66.6 million compared with RM105.4 million in 2017 primarily due to a higher total drawdown of credit facilities vis-à-vis the total repayment of credit facilities.

As a result of the lower revenue due to the decline in CPO price, the Group's cash and cash equivalent reduced by RM26.1 million. Notwithstanding this, the Group has sufficient available funds and lines of credit to meet their obligations as and when they fall due. The Management will continue to maintain a prudent approach in managing the Group's cash flows and capital resources to ensure it is sufficient to meet operating requirements and capital expenditures.

Gearing

As at 31 December 2018, the Group's net gearing ratio stood at 0.90 times compared with 0.85 times as at the previous year end. Higher gearing ratio was a result of decline in total equity and a higher total borrowing balance arising from foreign currency translation loss as well as a net drawdown of borrowings during 2018.

Management Discussion & Analysis Statement 2018

SEGMENT REVIEW & ANALYSIS

The Group has two broad categories of operating business segments namely, Palm Products and Others, with the former being the core business of the Group.

Palm Products Segment

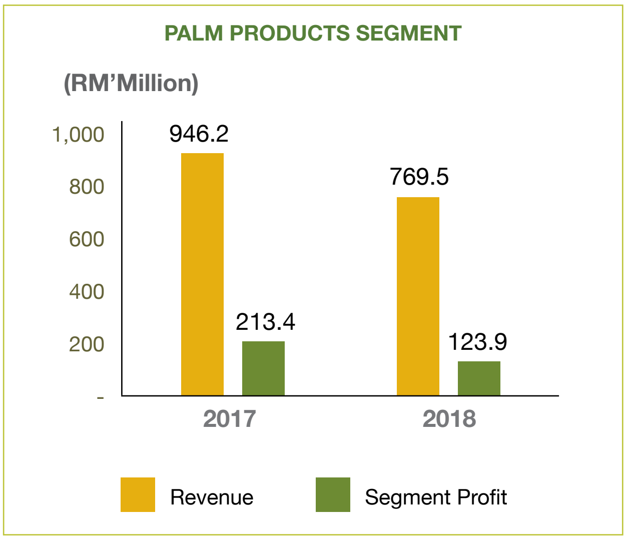
The Palm Products segment encompasses the upstream oil palm cultivation and harvesting to processing of FFB in mills into CPO and PK.

As at 31 December 2018, the Group has a plantation landbank of 99,523 ha located in Sabah, Kalimantan and Sumatera, of which 42,077 ha has been planted. It also operates 7 palm oil mills, 3 in Sabah and 2 each in Kalimantan and Sumatera. One of the mills in Sumatera had just started commercial run in early 2018.

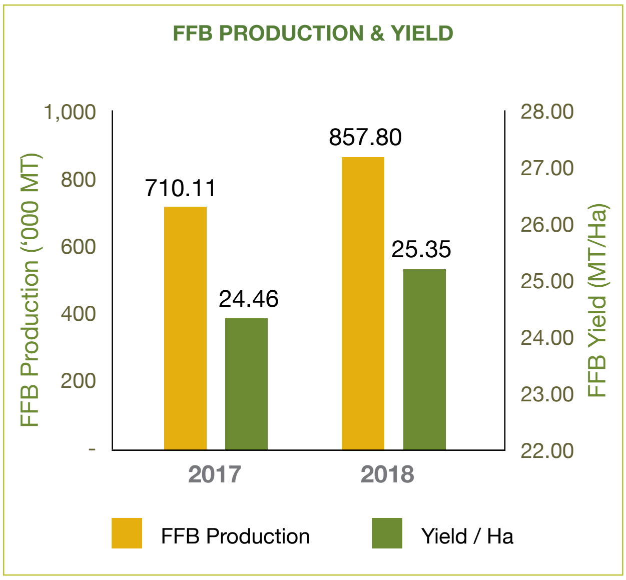
The age profile of the Group's palm oil trees is spread out with a weighted average age of 9.2 years, which is relatively young. Approximately 20% of its planted hectarage is still immature. This augurs well for the Group's FFB production in the coming years as more oil palm trees approach maturity and higher yielding ages. In addition, the unplanted landbank provides further growth opportunities and enables the Group to sustain the plantation business for the long term.

The unplanted land area will be developed gradually and in a sustainable manner. In this regard our overarching approach is to ensure that we adopt environmentally and socially responsible practices in our plantation development. In addition, as a member of the Roundtable on Sustainable Palm Oil (RSPO) the Group is committed to adhering to the requirements set out in the New Planting Procedure (NPP) which includes protecting High Carbon Stock (HCS) areas within our concessions. Given the young age profile of our trees, we do not plan for any major planting in 2019.

Operational Review



The Palm Products segment reported lower revenue of RM769.5 million for 2018 compared with RM946.2 million for 2017. The segment revenue accounted for 84.9% of the Group's revenue for the year. In line with the lower revenue, the segment profit decreased to RM123.9 million compared with RM213.4 million for the previous year. The performance was mainly affected by lower average CPO and PK prices despite an increase in FFB production.



Average selling prices of CPO and PK for 2018 decreased by 23% and 31% to RM2,086 per mt and RM1,632 per mt respectively, whereas FFB production rose 20.8% to 857,802 mt from 710,105 mt following more planted areas coming into maturity. As a result, average FFB yield improved to 25.35 mt per ha compared with 24.46 mt per ha achieved in 2017.

FFB processed increased by 12.3% to 1,497,387 mt compared with 1,332,861 mt in 2017, helped by the improvement in FFB production and the new mill in Sumatera which commenced operation during the year.

Others Segment

This segment comprises bio-integration business, wood products and cocoa products.

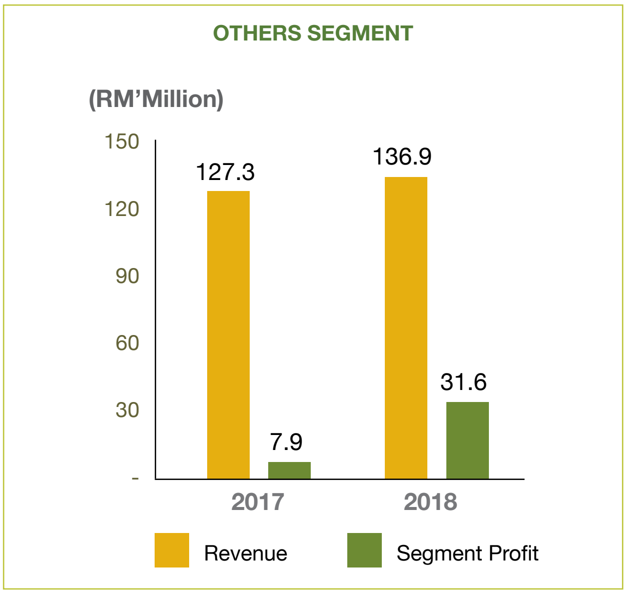
The bio-integration business essentially encompasses the operations of the Group's biomass and biogas power plants in Sabah. The Group owns and operates a 14 MW/HR biomass power plant and a 3 MW/HR biogas power plant in Sabah. The power generated can be for internal consumption or sold to Sabah Electricity Sdn. Bhd as all these power plants are connected to the grid. The biomass power plant utilises the biomass waste-fibres, kernel shells and empty fruit bunches as input materials to generate steam and electricity. The biogas plants generate electricity from methane gas captured from palm oil mill effluent tanks. Hence, the amount of electricity generated depends on the availability of the biomass input materials and methane gas which in turn is dependent on the quantity of FFB processed by our palm oil mills.

Ekowood International Berhad (EIB) Group is principally involved in manufacturing and marketing of engineered hardwood flooring. The wood flooring products are manufactured at EIB's plant in Gopeng, Perak. A greater part of sales is from the export market with its key market being Australia, New Zealand, China, Europe and USA. In the local market, the Group also undertakes installation of the flooring, mainly for new built condominiums.

The Group also manages a Forest Management Unit under a 100 year License Agreement with the Sabah Government. To date, about 24,000 ha of logged areas in the forest have been rehabilitated through planting and silviculture.

Having started from the cocoa business, the Group continues to operate a cocoa processing plant in Klang, Selangor. The plant produces cocoa products which is mainly exported to the USA, Europe and Asia.

Operational Review



This segment reported higher revenue of RM136.9 million compared with RM127.3 million for the previous year as both the Cocoa division and Forest Management Unit registered higher revenues during the year.

It reported higher segment profit of RM31.6 million compared with RM7.9 million in the previous year mainly due to higher sales volume of cocoa products coupled with better cocoa product prices.

The Management will continue to drive greater cost efficiency through inter alia streamlining of processes, effective working capital and procurement management and efficient plant maintenance practice.

OUTLOOK AND PROSPECTS

Being predominantly an oil palm industry player, the prospects of the TSH Group for 2019 will largely be dictated by drivers impacting prices of palm oil and its supply and demand as highlighted in the Overview above. They are in turn influenced by a string of factors including weather patterns and the consequential effect on FFB yield, prices of substitute vegetable oils and crude oil, changes in taxation or import duty in respect of CPO and global economic conditions and developments.

In this regard, India had cut the import duty on crude palm oil from Malaysia, Indonesia and other members of the ASEAN to 40% from 44% effective 1 January 2019. Duty on refined palm oil was cut to 45% from 54% if imported

Management Discussion & Analysis Statement 2018

from Malaysia and to 50%, if purchased from Indonesia or other member nations of ASEAN. This is expected to augur well for the palm oil industry as it is expected to lead to higher imports of palm oil by the world's biggest edible oil buyer and narrow the difference between palm oil and its rivals such as soyoil and sunflower oil.

Both Indonesia and Malaysia are also aggressively working to increase their respective biodiesel mandates. Indonesia will be accelerating the implementation of its B30 biodiesel mandate to 2019 from 2020 and is even exploring the use of pure palm biodiesel or B100 in the next few years. In the case of Malaysia, it implemented a mandatory switch from the B7 to B10 biodiesel programme for the transportation sector in February 2019. The B7 program for the industrial sector will be implemented starting 1 July 2019. The Malaysian Government is also planning to increase the biodiesel blend from B10 to B20 by 2020. These initiatives bode well for the future of the palm oil industry in both Indonesia and Malaysia as they will help to boost CPO demand.

As for the Group's crop production for 2019, barring unforeseen circumstances we anticipate to see further improvement due to better age profile as more oil palm trees reach optimum yield and with more planted areas coming into maturity. CPO price has also edged up from its lows in the fourth quarter of 2018. Should the price recovery of CPO be sustained in 2019, we are cautiously optimistic that the core performance of the Group will improve.

However, we are conscious that exogenous factors such as geopolitical issues can impact the palm oil industry and accordingly our financial performance. For example, moves by the EU to tighten rules on palm oil for biofuels may have a dampening effect on the palm oil market. France is already planning to end tax incentives for palm oil as of 2020. Similarly Norway has decided to put a ban on imports of palm oil as feedstock to biofuels in 2020. Other events such as the continuing trade war between the United States and China and developments on BREXIT are also creating uncertainties on macroeconomic drivers and commodity prices which will in turn affect the palm oil market.

Notwithstanding the geopolitical challenges globally, the Group is optimistic on the long term prospect of the palm oil industry. Palm oil is one of the most versatile vegetable oil capable of being processed into a wide range of products. Accordingly, global population growth and access into new markets, higher per capita income and the widespread recognition of the many nutritional

benefits of palm oil will continue to drive demand for palm products. Therefore, we remain positive on the prospect of the Group as we envisage the Palm Products segment, which is our core business, to continue to contribute favourably to the Group's financial performance over the long term. In this connection, to enhance long term business sustainability, Management will continue to drive productivity and efficiency improvement to reduce unit costs of production. To that end, we will continue to invest in automation and mechanisation to optimise our processes. Technology adoption such as the use of drones and the internet of things will increasingly be applied in our plantation operations. Software programs for performance monitoring and reporting are also upgraded to facilitate faster and more informed decision-making. We see it imperative that we continue to keep pace with the evolution of technology to increase our agility to navigate an uncertain and volatile market environment.

DIVIDEND

Subject to the approval of the shareholders at the forthcoming 39th Annual General Meeting of the Company, your Board of Directors had on 27 February 2019 proposed a first and final single tier dividend of 1.0 sen per ordinary share to be paid out of the Company's profit.

The proposed dividend payout is consistent with the Company's long term dividend payout policy of 20% - 30% of the profit. Such payments will depend upon a number of factors, including amongst others, the core earnings, other income, capital commitments, general financial conditions, distributable reserves and other factors to be considered by the Board.

SUSTAINABILITY STATEMENT

INTRODUCTION

Sustainability has always been an integral part of our way of doing business and a guiding principle in our decision making and development process. Over the years, TSH Group ("Group") has undertaken various efforts to improve our environmental initiatives. Our community programmes have improved the livelihoods of the underprivileged wherever we operate. Accomplishments occurred in all areas: sustainable production, social accountability and sound environmental management.

This Sustainability Statement will outline our efforts at embedding sustainability throughout the Group in the economic, environmental and social spheres, including our efforts at improving our practices. We will highlight some of the outstanding achievements made throughout 2018 from our efforts to turn waste into energy to rehabilitating forests.

SHORT TERM GOALS

- Monitoring usage of water for all 7 palm oil mills
- Managing chemical usage for oil palm estates
- Integrated pest management to be undertaken in all estates in Indonesia
- Sustainability Standard Operating Procedures ("SOP") and insertion of sustainability requirements inside all the Operational SOP

LONG TERM GOALS

- Roundtable on Sustainable Palm Oil ("RSPO") certification for all 7 mills and related estates according to the RSPO time-bound plan
- Indonesia Sustainable Palm Oil ("ISPO") certification for all the Indonesian estates by 2021

SUSTAINABILITY VISION

To be a premier plantation company committed to sustainability

SUSTAINABILITY MISSION

To be a progressive plantation enterprise with emphasis on sustainable production, social accountability and sound environmental management

Sustainability Statement

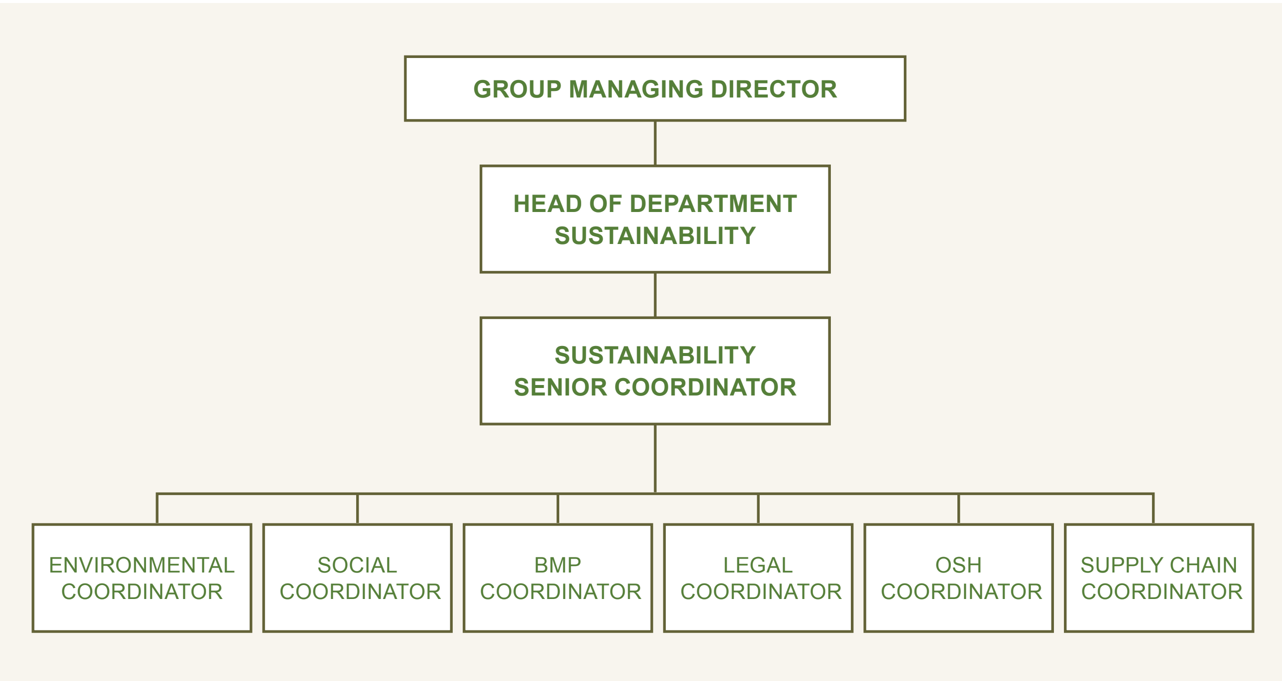
GOVERNANCE

To further demonstrate our commitment towards sustainability, the Group has set up a department specifically dedicated to managing sustainability issues with regard to our oil palm activities. Headed by the Head of Sustainability, the department pays particular attention to the principles, criteria and mandatory requirements under the Malaysian Sustainable Palm Oil ("MSPO"), ISPO and the RSPO certification regimes.

In addition, through the Group Managing Director, the Board of Directors ("Board") delegates the responsibility of managing day-to-day operations in accordance with the standards for social and ethical practices that have been set out in the TSH Group Employee Handbook. Since we operate in different countries, our policies are to meet the rules, needs and cultural practices in these countries. However effective sustainability practices that the Group has honed can be applied to all operations everywhere in the world.

The Board has set specific sustainability objectives and the timelines in which to achieve them such as the RSPO, MSPO and ISPO certification of its mills and estates in Malaysia and Indonesia. To further commit the Company to these aims, the Board receives regular updates on the progress of these objectives.

Safety and health issues are managed by a Safety & Health Committee in the respective estates and mills. The Company also has in place an Audit Committee which oversees risk policies, profiles and registers and is assisted by the Internal Audit Department.



The Board is ultimately responsible for implementing TSH's Code of Ethics which is applicable to Directors, officers and employees of the Group. The Corporate Disclosure Policy and Procedures outlines the policies and processes for communications with shareholders, analysts as well as investors to ensure the effectiveness and compliance with the applicable laws, rules and regulations.

RISK MANAGEMENT

The Group focuses on managing two types of risk, strategic and operational. Strategic risks are caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. These are dealt with by the Board and the Group Managing Director.

Operational risks are inherent in the activities within the different business units or subsidiaries of the Group. These risks are the responsibility of the various Business Units or Department heads. However, the Group impresses on all its employees that everyone at TSH is responsible for good risk management.

KEY RISKS IN 2018

PRICE FLUCTUATIONS

Crude Palm Oil ("CPO") prices tend to be cyclical and fluctuate in accordance with the global supply and demand of major oils and fats; and edible oil prices such as soybean, sunflower and rapeseed oil which are substitutes for palm oil.

Although the movement in CPO prices is beyond TSH's control, TSH mitigates the adverse effect of fluctuation in CPO and palm kernel prices by entering into short-term forward contracts with its major customers to fix prices as a hedge against fluctuations and managing its cost downwards. In addition, the management constantly analyses and monitors the global demand patterns and trends for oils and fats, particularly palm oil to make prompt and informed decisions regarding its CPO sales.

WEATHER CONDITIONS

Extreme weather, including both drought (El Nino) and prolonged rainy seasons (La Nina) may adversely impact estate operations. Of the two, the impact of low or delayed rainfall on oilseeds is more immediate and severe. Drier weather brought on by El Nino causes moisture stress in palms. On the other hand, prolonged rainy seasons may also affect the progress and effectiveness of field maintenance programmes as well as hamper harvesting and logistic activities.

TSH has implemented several measures to alleviate problems associated with unfavorable weather conditions i.e. floods and dry weather. For example, to mitigate issues arising from floods, TSH has adopted measures to construct bunds and water gates in low lying areas. During the dry weather, fire patrols are constantly on guard for any potential fire hazards and all palm oil mills and housing quarters are equipped with fire fighting equipment as an emergency safety measure. Water conservation in the form of silt pitting has also been implemented.

KEY RISKS IN 2018 (CONT'D)

PESTS AND DISEASES

Preventive measures adopted by TSH to eliminate outbreak of pests and diseases include planting of beneficial plants to attract predators of insect pests, use of baits and natural predators of rodents, such as barn owls. Pesticide will only be utilised in case of major outbreak. In addition, TSH also provides continuous education to its employees on the latest pest control methods, adopting and implementing good field hygiene and integrated pest management practices. Since the commencement of TSH's business operations, TSH has not experienced any outbreak of pest infection that has a significant impact on its daily operations. TSH has engaged a Visiting Advisor to monitor and improve the Pest Management Practise in all estates. SOP on planting of beneficial plants is in place and implemented in all estates.

COMPETING MILLS

TSH sources its supplies of FFB from its oil palm plantation, private estates and smallholders who have estates situated near TSH's palm oil mills. TSH has a long history of sourcing FFB from outgrowers and in the process has built close rapport with them. Nonetheless, moving forward, TSH will be undertaking more planting in Sabah and Indonesia to boost supply of FFB for its own mills. Our FFB production will also increase in the coming years as our immature area comes into harvesting and young matured area reaches peak yielding age.

FFB supplier consultation held on 3 July 2018
- Short discussion regarding MSPO certification and implementation on the documentation
- Site visit to workshop, chemical store, housing area, Humana/Community Learning Center and used oil store

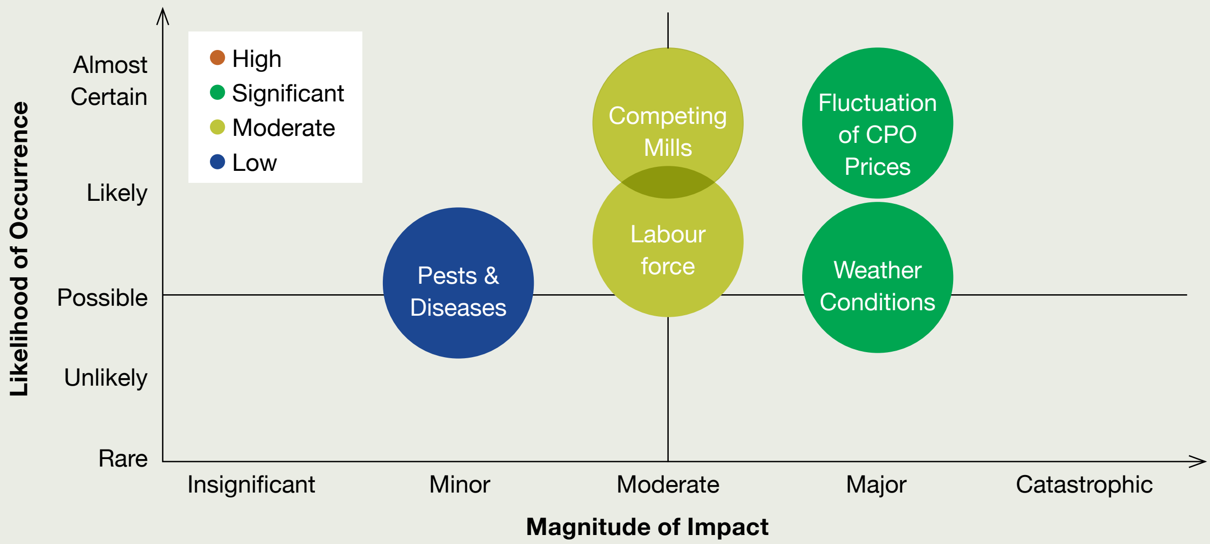
Visiting smallholder estate (Sabah) on 15 March 2018

KEY RISKS IN 2018 (CONT'D)

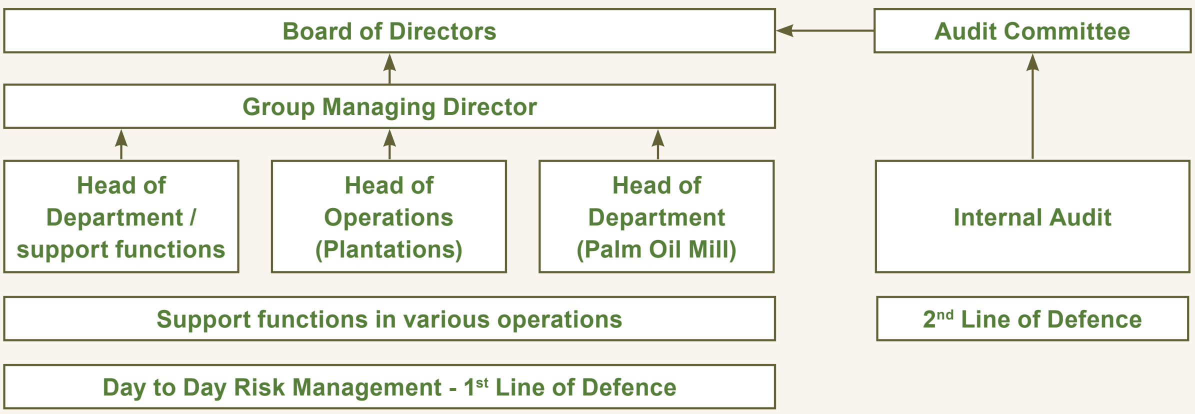
LABOUR FORCE

TSH adopts measures to ensure the retention of efficient employees by providing formal training, standard operating procedures, competitive remuneration, housing and amenities and a harmonious working environment. TSH is currently in the process of mechanising certain field operations to reduce dependency on labour. To date, TSH has not encountered any serious labour shortage or any significant labour dispute that could cause a major disruption in its daily operations. In addition, TSH has also appointed very experienced estate managers to manage the estates and has also set up a Plantation Training Academy in Kalimantan Tengah, with the purpose of recruiting and training suitable local workers to mitigate any labour shortage and maintain operating standards.

Residual Risk Profile **TSH Resources Berhad**



Governance Framework **TSH Resources Berhad**



Sustainability Statement

SUSTAINABILITY IN PRACTICE

The Company's sustainability initiatives are undertaken through a four-pronged approach that can be categorised as:

A) Sound environmental management

We promote sustainable forestry practices and the use of renewable resources. Our efforts are underlined by an ongoing commitment towards certification and standards. TSH complies with the Environmental Impact Assessment ("EIA") requirements of projects and other regulations on safety and the environment. We are also committed towards nurturing our supply chain.

B) Human resources development

TSH is committed to treating all employees equally and pays them fairly according to their skills, performance and local market conditions. The Group also provides periodic training and opportunities for professional development. We also have zero tolerance for harassment of any kind in the workplace.

C) Occupational Safety & Health ("OSH")

TSH sets up a Safety & Health Committee and an Emergency Response Team ("ERT") for each operating unit to further embed a safety culture within the Company. Employees are continuously trained and updated with safety procedures while business operations are subjected to regular safety and health reviews.

D) Community

TSH funds and supports a wide range of welfare, educational and health programmes to help the underprivileged. The Company also provides research grants and, in line with its policy, works with wildlife conservation bodies to protect rare, threatened or endangered species.

Wildlife Warden Training for Lahad Datu Region & Tawau Region on 20 – 22 March 2018

ECONOMIC	ENVIRONMENTAL	SOCIAL
• Board Charter • Code of Ethics • Corporate Disclosure Policy and Procedures • TSH Corporate Governance Guidelines • Transparency Policy Statement • Whistle-Blowing Policy • Sustainability Information Request Procedure	• Environment Policy Statement	• Child Labour Policy Statement • Equal Opportunity & Discrimination Policy Statement • Freedom of Association Policy Statement • Good Agricultural Practices ("GAP") • Human Rights & Responsible Business Practices Policy • Reproductive Rights Policy Statement • Safety and Health Policy Statement • Sexual Harrassment Policy Statement • TSH Group Employee Handbook

SCOPE

This Statement covers the Group's operations within Malaysia and Indonesia, encompassing estates, processing mills, power plants and forest management which accounted for about 90% of the Group's total operating revenue in 2018.

The Statement covers the period from 1 January to 31 December 2018 and follows the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements relating to Sustainability Statement in Annual Reports.

STAKEHOLDER ENGAGEMENT

TSH attaches considerable importance to being open and transparent. The Group recognises that transparency promotes accountability and ensures that matters pertaining to stakeholders are approached with an emphasis on openness, ethical conduct, as well as operational and economic responsibility.

The Group strives to conduct its business in an accessible and visible manner. The presupposition of transparency does not preclude the legitimate protection of information (including commercial information) whose release would invade personal privacy, breach of confidentiality or damage other genuinely compelling interests. However, it is the Company's aspiration to release information in formats that can be easily accessed, understood and analysed by all stakeholders.

TSH also aims to improve its long-term relationships. TSH's website provides easy access to the latest information on the Group's financials and operations as well as the direction of the Group. Email links are included for stakeholders to provide feedback or enquiries.

Also, stakeholder meetings are conducted at the estate level and during the assessment process for the Social Impact Assessment ("SIA"), EIA and High Conservation Value ("HCV") reports. A stakeholder list is also available for all established estates in Indonesia.

Sustainability Statement

At the corporate level, the secretarial department spearheads compliance with all regulatory requirements and communication with regulatory bodies. Constant two-way communication is also established with investors, analysts and shareholders via general meetings, quarterly announcements on results, periodic announcements to Bursa Securities and through press releases. Stakeholder communication methods are regularly assessed, through information requests, to ensure that they are transparent and effective.

External stakeholder meeting @ Tawau Region held on 17 April 2018

Stakeholder Group	Engagement Platforms	Issues Raised in FY2018	Response to issues and outcomes
Employees	• Multichannel engagement	• Safety • Health improvements • Housing improvements • Minimum wage	• New houses built and continuous repairs carried out • All employees in mills and estates are provided with yearly medical check up as required • Quality safety equipment are sourced and provided for all employees • Minimum wage is practised in all units
Communities	• Town hall meetings • Community development programmes • Various other formal and informal engagement	• Community programme meeting • Progress on Plasma Scheme • Land-related claims and compensation	• Various community development initiatives • Plasma Scheme cooperative meeting minutes filed in the respective Indonesia estates • Assessments such as SIA and HCV 5 and HCV 6 were carried-out to determine the customary land owners and minimise land conflicts
Trade Unions	• Welfare committee and/or trade union meeting	• Minimum wage and piece rate policy • Freedom of Association • Housing • Medical	• Minimum wage policy in place. Ongoing discussions with Unions on improvement issues
Civil Society	• Multichannel engagement	• Human rights issues including wages, and housing issues related to one of our subsidiaries	• Issues addressed through grievance procedure, consultative meetings and Welfare Committee

Stakeholder Group	Engagement Platforms	Issues Raised in FY2018	Response to issues and outcomes
Government	• Multichannel engagement	• Fire prevention requirements (Indonesia national agenda)	• Equipment required in compliance with requirement by the Ministry of Environment and Forestry in Indonesia and Fire and Rescue Department and Forestry Department in Malaysia
Suppliers	• Scheme smallholders	• Financing and oil palm plantation management • Developing small time oil palm smallholders in Indonesia through training and material aid	• Meet targets for local suppliers
Media	• Multichannel engagement	• Financial and community information reported in various media platforms	• Meet commitment for transparency
Industry (e.g. RSPO, Malaysian Palm Oil Association ("MPOA"), Malaysian Palm Oil Board ("MPOB"), ISPO and MSPO Certificate	• Multichannel engagement	• Annual Communication of Progress ("ACOP") report for RSPO	• ACOP report submitted for every year • Commitment to ISPO and MSPO Certification by Timebound Plan

External Stakeholder Meeting @ Lahad Datu Region on 29 September 2018

3R campaign @ Lahad Datu Palm Oil Mill held on 29 November 2018

Sustainability Statement

MATERIALITY

The issues most material to our business were determined from an analysis of internal documents, peer reviews and our risk register. We also used indicators in the Bursa Securities Sustainability Reporting Guide and the Global Reporting Initiative ("GRI") G4 Sustainability Reporting Guidelines.

MARKETPLACE

In line with TSH's commitment to be environmentally responsible, we are focused on improving the traceability of our palm oil to ensure that it is sourced from estates that operate ethically and implement sound environment practices. As part of this effort, we are pursuing the ISPO certification for our entities in Indonesia. Our commitment is underlined by our membership in the RSPO.

- **Commitment to Certification**

  In order to ensure that our operations are benchmarked to global standards, the Group became an RSPO member in November 2014. All our business units have committed to achieving RSPO certification by year 2021. Further, the Group is also committed to achieving MSPO Certification by end of 2019 and ISPO Certification by 2021.

Status Updates

Description	2016	2017	2018	Total
Number of RSPO-certified estates	1	2	4	7
Number of RSPO-certified mills	1	1	1	3

- **Plasma Scheme**

  The Plasma Scheme is designed to develop small-time oil palm plantation owners or scheme smallholders among the local community in Indonesia. Under the scheme, government agencies, business or cooperatives help develop smallholders through different ways such as by providing them seed stock, fertilisers, pesticides, training, and loans. Our objective is to assist the cooperative scheme smallholders through services and the management of their oil palm properties. Todate, TSH has assisted in establishing 14 Smallholder Cooperatives under the Plasma Scheme in Indonesia.

  TSH's role in the scheme

  - managing the plantation for scheme smallholders
  - educating the cooperative scheme smallholders on oil palm planting and business
  - assisting the scheme smallholders to obtain financing for their projects
  - educating and assisting scheme smallholders in implementing sustainable business practices

- **Supply Chain Management**

  As a responsible Group, we work to ensure that the materials and components we use in our entire supply chain such as raw oil palm bunches and fertilisers can be traced to sources.

  We also strive to ensure that we source as much of our materials as possible from local suppliers so as to empower and boost the surrounding economy. In 2018, 100% of suppliers were local suppliers.

  For the estates under our management, we strictly adhere to all local labour regulations and ensure that there is zero tolerance for forced labour and child labour. This is done through field audits and inspections of our plantations and of the estates managed by scheme smallholders who supply to us. We also perform audits to ensure that our estates and those of our suppliers comply with local environmental regulations especially when it comes to waste management and land clearing.

ENVIRONMENT

As a plantation company, TSH works 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. Our Environment Policy Statement governs how we deal with greenhouse gas ("GHG") emissions, waste management and biodiversity issues. We also have a zero burning policy for all our operations.

The Group actively recycles and manages waste, monitors and minimises its effluents and sources of pollution. We also partner with government agencies to protect bio-diverse and fragile ecosystems, besides replanting degraded and logged-out forests. The Group also generates renewable energy from oil palm waste for our own use and as a way to cut greenhouse gas emissions.

The Group also conducts an EIA and HCV prior to any land development. We have conducted EIAs for all our Indonesian plantations and Sabah estates that were established after September 1999.

In addition, our palm oil production is handled according to GAP guidelines where field operations in the plantation and transportation are processed in ways that minimises environmental impact and take into account occupational safety and health of workers.

- **Waste-to-Energy**

  At TSH, we believe that nothing from our oil palm plantations should go to waste. Our bio-integration complex in Kunak, Sabah, exemplifies this by producing renewable energy from oil palm waste. Liquid and solid by-products from the palm oil mills are processed by the complex's biomass and biogas plants and turned into electricity and industrial steam.

  Apart from tapping the commercial value of oil palm waste for the Group, TSH is contributing to the country's electricity needs through renewable sources. The biomass plant has a renewable energy power purchase agreement ("REPPA") with Sabah Electricity Sdn. Bhd. to supply up to 10MW of green electricity to Sabah. The biomass plant is also the first in the country that is connected to the national grid. The green electricity sold to the grid helps offset power that is generated from fossil fuels. In this way, TSH is working to reduce our carbon footprint.

  i) Biomass Power

  The integrated complex is powered by renewable green energy from a 14MW biomass cogeneration plant. The plant generates electricity and industrial steam from solid by-products from the mill.

  ii) Biogas Power

  The biogas power section of the complex generates electricity from wastewater produced from the palm oil milling process which is commonly known as Palm Oil Mill Effluent ("POME"). Energy is harvested from the POME through an aerobic activated sludge process and this treats the POME discharge to make it less environmentally harmful. Another key component in the process is the recovery of methane gas which is then used to generate electricity. This reduces greenhouse gas emissions from the milling process.

WASTE AS FERTILISER

Oil palm waste, empty fruit bunches ("EFB") and decanter waste from mills are turned into mulch and organic fertilisers which are then applied in the plantations. This further reduces the waste we produce and recycles it into a material that we use on our own operations. The process is environmentally sound and saves money that would have otherwise been spent on waste disposal and buying chemical fertiliser.

- **Emissions**

  The Group has taken initiatives to reduce carbon, N2O (Nitrogen Oxide) and CH4 (Methane) by utilising mill waste such as decanter wastes and POME as organic fertiliser as well as relying on bio-gas generators and steam engines instead of diesel generators for electricity supply.

  We will continue to take steps to improve our carbon footprint. In this regard, we are monitoring and tracking the GHG emissions from our operations.

- **Water Management**

  i) TSH maintains riparian boundaries to prevent freshwater contamination. We maintain an area of natural riverside vegetation – known as 'riparian reserves' – along both sides of a river that acts as a buffer between our plantations and the water source.

  ii) To ensure that we stay within environmentally accepted limits, lab assessments of the river water are done every six months.

  iii) We constantly strive to maintain efficiency of water usage in our mill operations. Average water usage for 2018 was 1.16 m3 per mt of FFB processed (2017: 1.18 m3 per mt of FFB processed).

Sustainability Statement

- **Sustainable Forestry**

The forest ecosystems which surround our facilities are important to TSH and we continuously work with state agencies and non-government organisations to ensure that we minimise harm to the environment and also treat degraded areas. We have implemented enrichment planting and silviculture treatment initiatives under Sabah's FMU Programme. Our land development practices also meet strict environmental conditions to avoid harming biodiversity. Our use of sustainable wood materials has been accredited by the Forest Stewardship Council ("FSC").

TSH was awarded the Compliance Certificate Award 2017 by the Sabah Forestry Department for its efforts in reforestation. TSH has received this award for 9 consecutive years.

i) Forest Rehabilitation

On 10 September 1997, TSH was awarded a 100-year licence by the Sabah government to carry out natural forest management works including rehabilitating, conserving and industrial tree planting on 123,385 ha of forest in Ulu Tungud, Sabah. The award was under a Sustainable Forest Management License Agreement ("SFMLA') and the area is now known as the Forest Management Unit ("FMU 4"). To date, about 24,000 ha of logged areas in the forest have been rehabilitated through enrichment planting and silviculture.

ii) Forest Conservation

As part of efforts to manage and enhance Sabah's natural resources, the Group had on 11 November 2015 signed a memorandum of understanding with the Sabah government to surrender approximately 30,000 hectares of land in the Ulu Tungud Forest Reserve which is in the Meliau Range. This represents 24% of FMU4 and it has been set aside for preserving the ecosystem of the forest and protecting its rich flora and fauna which are some of the most bio-diverse and unique in the world.

Some 172 species of birds call the Meliau range their home and we are working with local and international non-governmental organisations (NGO), and the Sabah Forestry Department to study its biodiversity and ecology.

TSH will bear 50% of the costs and expenses for this project. As part of our commitment, currently we have 76 native staff and workers from the "Ansuan" and "Pinangah" tribes working on our Natural Forest Management programme.

iii) Biodiversity

TSH has put in place several practices to mitigate our impact on the surrounding environment's biodiversity. These include annual wildlife population assessments, soil conservation treatments, growing beneficial plants and monitoring HCV areas. To reduce pesticide use, we have implemented an integrated pest management programme that involves conducting a pest census and growing plants which are natural habitats for predators that feed on leaf-eating pests.

WORKPLACE

At TSH, we realise that our successes are the result of our employees' collective energy and efforts at the workplace. We continuously strive to bring out the best in them through technological systems that aid them in their work and through streamlined management and operating procedures.

We also put in place civil and labour rights protections to further look after their welfare, and embed a culture of rewarding them according to merit. It is hoped that these measures will create a workplace where our employees feel dignified and respected no matter their ethnicity, religion, political beliefs, gender or age.

We also strictly comply with local labour regulations and have implemented national minimum wage rates throughout our operations.

- **Human Rights**

  TSH is fully committed to operating in an ethical and responsible manner, and to eradicate human rights violations throughout its supply chain. Our Human Rights & Responsible Business Practices Policy covers elements of anti-bribery, anti-corruption and forced labour. One of the policy's main objectives is to emphasise the importance of Free, Prior and Informed Consent ("FPIC"). The impediment of these rights whether through bribery or through the fraudulent use of funds will not be tolerated. The Company will not do business with those who violate the rights of others, such as by using forced or child labour. No incidences of forced or child labour have been found at our operations.

  We uphold an individual's right to be treated fairly and decently, and as a proactive measure, we have established a formal grievance mechanism so that complaints of mistreatment and abuse can be reported. The mechanism covers complaints on labour practices and human rights, and also comes with a remediation process.

  i) Freedom of Association

  TSH respects the right of its employees to freedom of association and, as such, the Company neither encourages nor discourages employees from joining trade unions.

  The Company also respects the collective bargaining process so as to lift the morale of employees and enhance productivity and industrial relations. As a proactive gesture, the Company has established workplace welfare committees to represent employees and provide them a structured communication channel when a union is not present.

  ii) Maternal Care

  The Company is fully committed to supporting its employees' reproductive rights and promotes accessibility to maternal health care. The Reproductive Rights Policy Statement underlines our commitment. The Group also ensures that pregnant and breast-feeding employees are given adequate days off, more frequent breaks and work re-assignments.

  iii) Child Labour

  TSH is strongly against the use of children for work and is fully committed to eradicating the occurrence of child labour in its workforce, which includes employees, contractors, volunteers and any other comparable form that constitutes as labour according to local and international laws, within its Group.

  iv) Sexual Harassment

  TSH has a zero tolerance policy for sexual harassment of any kind within the Group. Sexual harassment is deliberate or repeated, unsolicited and unwelcome verbal comments, gestures or physical contact of a sexual nature, or request for sexual favours which interferes with an individual's work performance or creates a toxic working environment.

- **Workforce Diversity**

  TSH strongly believes in equal opportunity at work, embraces diversity and is against any and all forms of discrimination. The Group aspires to maintain a fair workplace by recruiting, developing, and retaining a diverse workforce in efforts to create an environment in which personnel can develop and apply the widest possible range of competencies and solutions without biased oppression or coercion.

In order to achieve this goal, the Company promotes the right to work and advancement on the basis of merit, ability, potential, and experience that is free from prejudice. The Company is strongly against the discrimination of any person based on age, race, caste, nationality, religion, disability, gender, sexual orientation, union membership and political affiliation. When appointing an employee, the Company through its management personnel will always evaluate and match the criteria of employees based on experience, expertise, professionalism, technical skills, specialist knowledge, time commitment, character, integrity, potential contribution and perceived ability to work cohesively with other employees.

Description	2017	2018
Employee Breakdown		
Total Number	8,992	8,270
Turnover Rate (%)	3.29%	1.87%
Gender		
• Female	2,934	2,392
• Male	6,058	5,878
Number of women in Management		
• Board of Directors	1	2
• Management	44	43
• Executive	94	114
Age Group		
• < 30	3,177	2,729
• 30-50	5,458	5,110
• > 50	357	431

- **Occupational Safety and Health**

TSH is committed to maintaining high safety and health standards within its workforce, contractors, volunteers and visitors within the Group. To achieve this objective, each operation unit has established a Safety & Health Committee which is responsible for cultivating safe working practices and behaviour. A series of in-house training programmes on safety and health have also been conducted by committee members and external experts. Hazard Identification Risk Assessment and Controls ("HIRAC") processes are reviewed regularly and communicated to employees and contractors. OSH Awareness Campaigns are also conducted every year in all units. Trainings in relation to Fire Fighting Drill, Emergency Response and Personal Protective Equipment are conducted in all units. Safety induction is carried out for all new employees to ensure awareness and compliance.

The Company provides adequate health care such as medical check-ups for workers handling chemicals, pesticide, fertiliser and who operate the chemical premix station. Besides protective clothing, workers are trained to handle pesticides in a safe manner. In addition, a HIRAC system and related facilities are in place to cut down on hazards. In 2018, TSH made a commitment of stopping the usage of the chemical "paraquat" in all its units in Indonesia. TSH has ceased using "paraquat" in Malaysia since 2002.

- **Training and Development**

We nurture a conducive learning culture for all our employees – from the lowest general worker to the senior manager – equipping them with the knowledge and skills to effectively perform and overcome the challenges in our industry. This is done through dedicated training centers that offer courses of which the main ones are:

- The Plantation Training Centre that was established in 2005 in Palangkaraya, Central Kalimantan, is a strong platform to spearhead our expansion in Indonesia. The center shares best practices among field assistants and cadets that can be adopted in all our new estates. Besides providing a pool of talent for our expansion, in the long run, the knowledge gained improves the productivity of the plantation's management. The center has successfully churned out a large number of graduates, all of whom have started out on rewarding career in our plantations.

- Our annual training for employees includes topics such as code of conduct and business ethics, resource/environmental management, equal opportunity or non-discrimination practices, grievance mechanisms and remediation processes, human rights, child labour, forced labour, and occupational safety and health.

- The all-encompassing Group Human Resource Manual spells out the benefits, rules and regulations and policies for our employees.

- Our Indonesian estates and mills conduct daily safety briefings for workers.
- Field workers are trained in SOP.
- Ladang Ong Yah Ho is provided with a Community Learning Centre.

Below are internal training programmes conducted in Indonesia for year 2016 to 2018 and category of employees benefited from these programmes:

	No. of trainees		
Type of Training	**2016**	**2017**	**2018**
Training SOP Operation, leadership, effective communication and technical for Mandore & FFB Checkers	-	-	245
Induction training on SOP & System	42	40	46
Refresher training on SOP	81	126	-
Refresher training on SOP-Finance	-	-	14
Refresher training on Operation	-	-	37
Refresher training on Estate Management System & Estate Planning & Checkroll	-	89	54
Occupational Safety and Health Experts (Ahli K3 Umum)	-	20	-
Total	123	275	396

	No. of trainees		
Category of employees	**2016**	**2017**	**2018**
Mandores & FFB checkers	-	-	245
Field Assistants	61	91	37
Cadets	30	13	10
Manager Estate Above/Senior Assistant Manager/Assistant Manager	32	121	90
Mill Staff, Executive/Admin Staff/AM HR/KTU/Admin Manager	-	50	14
Total	123	275	396

Regular performance and career development review were conducted throughout the Group for year 2016 to 2018:

Description	2016	2017	2018
Percentage of employees receiving regular performance and career development review	100%*	100%*	100%*

* certain employee categories

- **Succession Planning**

  The senior management succession plan involves attracting and developing talented and skilled people who fit with the Company's culture and business strategy as well as identifying successors for senior management positions. The Board is responsible for reviewing and monitoring the appointment and dismissal of senior management while the Group Managing Director is responsible for the senior management succession plan.

- **Employee Engagement and Benefits and Wellbeing**

  i) Engagement

  TSH understands that non-work activities and programmes are important to employee well-being and morale, and the Group continues to engage with employees through a variety of activities and celebrations in 2018. These include, amongst others:

  - Opening of Gym for staff, coincide with birthday clelebration and X'Mas cum New Year party at TSH KL office with fun-filled events, lucky draws and Zumba workout.

  - Gender committee Tawau region (Kunak Palm Oil Mill, Landquest & LKSK) – Zumba and Volleyball matches held on 21 Jan 2018.

  - Plant A Hope programme held at the pouch area of Menara TSH for all TSH KL employees on 6 February 2018. This programme was to cultivate green environment in the office work area.

  - Opening of Staff Joy Corner at Mezannine Floor, Staff Cafeteria, Menara TSH on 6 February 2018. The Staff Joy Corner is equipped with bean bags, video game console, dartboard & karaoke system. It is a one stop chill out area for all staff in TSH KL.

  - Annual Dinner – a night of appreciation held for all employees at TSH KL office and TSH Tawau office with performances, lucky draw prizes, best dress and long service award presented during the annual dinner.

- Karaoke singing competition with all participants employee at PT. Andalas Wahana Berjaya ("PT.AWB") on 3 March 2018.

- Staff birthday party celebration at TSH KL for all employees held every quarter in year 2018.

- Chinese New Year, Hari Raya, Deepavali & Christmas open house celebration held at Staff Cafeteria right before/after the occasion holiday period for all TSH KL employees in 2018.

- Celebration of achievement for 4,050 tonnes production with all employees at PT. Teguh Swakarsa Sejahtera ("PT.TSS") on 8 May 2018.

- Breaking fast together with the employees and family members for PT. Laras Internusa ("PT. LIN") on 8 June 2018.

- Table tennis tournament held in TSH KL from 29 June – 3 July 2018 for all TSH KL employees' participants.

- Anniversary celebration of the palm oil mill's production at PT. Andalas Agro Industri ("PT.AAI") with all employees, families and community on 8 July 2018.

- Papsmear test & children immunization @ Tawau Region held on 14 July 2018.

- Celebration at PT. AAI and PT. Bulungan Citra Agro Persada ("PT.BCAP") on 17 August 2018 with fun filled games and entertainment with all employees, their families and local community.

- Award presentation to the top harvester at PT. LIN on 18 September 2018.

- Learn CPR programme for all TSH KL Employees held at Staff Cafeteria on 30 October 2018. This programme has guided TSH KL Employees on the right technique in performing CPR during emergency.

- PT. BCAP and PT. TSS observed the birthday of Prophet Muhammad SAW on 24 November 2018 and 25 November 2018 respectively with all Muslim employees and community.

ii) Benefits and Welfare

TSH provides a host of benefits that enhances the welfare of our workers especially those staying in our plantations or who work close to them. These benefits include physical facilities such as housing, schools, sports grounds, child crèches, treated water supply and places of worship. Non-physical benefits include sports club memberships, insurance coverage and a well-being programme.

COMMUNITY

As a responsible corporate citizen, TSH strives to contribute to the surrounding community particularly children and the underprivileged. Each individual business units/divisions has a Community Development Department which manages community projects and contributions. In addition, community programmes in Indonesia are based on guidelines from the Agriculture Ministry and the community's needs.

- **Community Giving and Charity**

TSH has contributed to various philanthropic causes throughout 2018. These are, amongst others:

1. Teach For Malaysia Foundation;
2. Kechara Soup Kitchen Society;
3. Saan Yak Nak Meditation Centre's building fund;
4. Sabah Chinese High School;
5. The Tawau Buddhist Lodge;
6. Pusat e-Desa Kampung Baba for Hari Keluarga;
7. Persekutuan Gereja-Gereja;
8. The Edge Education Foundation;
9. Shelter Home; and
10. Zotung Refugee Catholic Learning Centre.

In addition, our estates in Indonesia have actively supported many community programmes as part of our initiatives to improve the livelihood of the surrounding community. In particular, TSH has placed great emphasis on education, disaster relief and/or preparedness, arts, culture and heritage, sports and health, religious activities and infrastructure development. Some of these initiatives are shown below:

Scholarship presentation to the local community primary school students

Donation of gravel for the construction of kindergarten building


Construction of drainage for the local village community


Donation of groceries for Musabaqah Tilawatil Quran

Celebration of Hari Raya Aidiladha / Qurban day with local community

Organising fun and games for the local community

Corporate Report

OUR PEOPLE AND FACES

Our People and Faces

CORPORATE STRUCTURE

PALM SEGMENT

100% **TSH Plantation Sdn. Bhd.** (150482-H)

100% **TSH Plantation Management Sdn. Bhd.** (46602-V)

100% **TSH Palm Products Sdn. Bhd.** (395007-H)

50% **TSH-Wilmar Sdn. Bhd.** (268555-U)

60% **RT Plantations Sdn. Bhd.** (1033974-D)

51% **LKSK Sdn. Bhd.** (10018-U)

70% **PT. Andalas Agro Industri** (Incorporated in Indonesia)

70% **PT. Andalas Wahana Berjaya** (Incorporated in Indonesia)

90% **PT. Sarana Prima Multi Niaga** (Incorporated in Indonesia)

90% **PT. Teguh Swakarsa Sejahtera** (Incorporated in Indonesia)

99.67% **PT. Laras Internusa** (Incorporated in Indonesia)

90% **PT. Farinda Bersaudara** (Incorporated in Indonesia)

90% **PT. Mitra Jaya Cemerlang** (Incorporated in Indonesia)

90% **PT. Bulungan Citra Agro Persada** (Incorporated in Indonesia)

90% **PT. Munte Waniq Jaya Perkasa** (Incorporated in Indonesia)

90% **PT. Perkebunan Sentawar Membangun** (Incorporated in Indonesia)

90% **PT. Andalas Wahana Sukses** (Incorporated in Indonesia)

90% **PT. Prima Usaha Sukses** (Incorporated in Indonesia)

21.94% **Innoprise Plantations Berhad** (285072-M)

OTHERS SEGMENT

100% **Ekowood International Berhad** (301735-D)

100% **Ekowood Malaysia Sdn. Bhd.** (336672-X)

100% **Ekowood (USA) Inc.** (Incorporated in the State of California, USA)

100% **TSH Bio-Energy Sdn. Bhd.** (272534-H)

100% **TSH Bio-Gas Sdn. Bhd.** (420342-M)

100% **TSH Biotech Sdn. Bhd.** (631048-V)

100% **CocoaHouse Sdn. Bhd.** (220221-A)

50% **TSH-Wilmar (BF) Sdn. Bhd.** (632894-V)

Notes:

- The companies reflected above are operating subsidiaries/associated company/joint venture.
- The full list of companies under the TSH Group is set out in the Notes to the Financial Statements on pages 140 to 146 in the Financial Statements section of this Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk (Dr.) Kelvin Tan Aik Pen
Chairman, Non-Independent Non-Executive Director

Dato' Aik Sim, Tan
Group Managing Director

Dato' Jasmy bin Ismail
Independent Non-Executive Director

Selina binti Yeop Junior @ Lope
Independent Non-Executive Director

Natasha binti Mohd Zulkifli
Independent Non-Executive Director

Yap Boon Teck
Independent Non-Executive Director

Tan Aik Kiong
Group Executive Director

Chew Siew Yeng
Independent Non-Executive Director

Tan Aik Yong
Executive Director

Lim Fook Hin
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Yap Boon Teck
Chairman/Independent Non-Executive Director
(Member of the Malaysian Institute of Accountants)

Dato' Jasmy bin Ismail
Member/Independent Non-Executive Director

Chew Siew Yeng
Member/Independent Non-Executive Director
(Member of the Malaysian Institute of Accountants)

Lim Fook Hin
Member/Non-Independent Non-Executive Director
(Member of the Malaysian Institute of Certified Public Accountants)

NOMINATION COMMITTEE

Selina binti Yeop Junior @ Lope
Chairperson/Independent Non-Executive Director

Yap Boon Teck
Member/Independent Non-Executive Director

Lim Fook Hin
Member/Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Dato' Jasmy bin Ismail
Chairman/Independent Non-Executive Director

Chew Siew Yeng
Member/Independent Non-Executive Director

Lim Fook Hin
Member/Non-Independent Non-Executive Director

COMPANY SECRETARY

Chow Yeen Lee (MAICSA 7047480)

REGISTERED OFFICE

Level 10, Menara TSH
No. 8 Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Tel : +603-2084 0888
Fax : +603-2084 0828
E-mail : tsh@tsh.com.my

AUDITORS

BDO PLT
(LLP 0018825-LCA & AF 0206)
Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel : +603-2616 2888
Fax : +603-2616 3190/3191

PRINCIPAL BANKERS

AmBank (M) Berhad

Cooperatieve Centrale Raiffeisen - Boerenleenbank B.A (Rabobank)

HSBC Bank Malaysia Berhad

Kuwait Finance House (M) Berhad

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

RHB Bank Berhad

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7849 0777 (Helpdesk)
Fax : +603-7841 8151/8152
Email : BSR.Helpdesk@boardroomlimited.com

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

COMPANY WEBSITE

www.tsh.com.my

PROFILE OF BOARD OF DIRECTORS

DATUK (DR.) KELVIN TAN AIK PEN

Chairman

Non-Independent Non-Executive Director

Aged 61, Male, Malaysian

Age 61

Datuk (Dr.) Kelvin Tan Aik Pen is the Chairman, Non-Independent Non-Executive Director of the Company. He has been a Director of TSH since his appointment to the Board on 17 January 1986. He is currently the Managing Director of Innoprise Plantations Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the board of a number of private companies.

Kelvin has more than thirty one (31) years experience in resource based industry, which includes extensive working knowledge of international trade practices. He was the Chairman of the Malaysian Cocoa Board for 8 consecutive years from 1997 to 2004 and trustee of the Borneo Conservation Trust Sabah from 2010 to 2013. Kelvin was appointed to the Board of Directors of University Malaysia Sabah on 1 August 2017. He also serves as Honorary Director of Sabah Chinese High School. As recognition for his many contributions to environmental conservation and forestry, Kelvin was conferred an Honorary Doctorate in Philosophy (Agroforestry) by Universiti Malaysia Sabah on 3 September 2006.

He is the brother of Dato' Aik Sim, Tan, Tan Aik Kiong and Tan Aik Yong. He does not have any conflict of interest with the Company. He has not been convicted for any offences within the past five (5) years nor has he been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

DATO' AIK SIM, TAN

Group Managing Director

Aged 55, Male, Malaysian

Age 55

Dato' Aik Sim, Tan was appointed as Group Managing Director on 1 January 2009 after serving as Chief Executive Officer since 1 September 2006. He was appointed to the Board of Directors of the Company on 27 February 1992. He is also the Group Managing Director of Ekowood International Berhad ("Ekowood") and sits on the board of various subsidiary companies of TSH. He obtained Bachelor's Degrees in both Economics and Engineering from Monash University, Australia in 1988.

He joined the Group in 1989 and over the years was heavily involved in its various business units and their operations. He had a major hand in setting up CocoaHouse Sdn Bhd's manufacturing facilities and its operations and played a leading role in the listing of TSH in 1994.

He was appointed the Chief Executive Officer of Ekowood in 1994 to spearhead the establishment of the integrated timber complex from a green field site. He was subsequently appointed its Group Managing Director in 2009 and played a pivotal role in its rapid growth, elevating it into an international and award-winning brand to be reckoned within the engineered hardwood flooring industry.

He has also played a big part in the development of the Group's oil palm business, in particular, its expansion into Indonesia which has significantly enlarged the Group's operations. In addition as Group Managing Director, he also charts the strategy for sustainable long-term growth of the Group.

He is the brother of Datuk (Dr.) Kelvin Tan Aik Pen, Tan Aik Kiong and Tan Aik Yong. He does not have any conflict of interest with the Company. He has not been convicted for any offences within the past five (5) years nor has he been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

DATO' JASMY BIN ISMAIL

Independent Non-Executive Director

Aged 55, Male, Malaysian

Age 55

Dato' Jasmy bin Ismail was appointed as an Independent Non-Executive Director of TSH on 4 June 2014. He also serves as the Chairman of the Remuneration Committee and member of the Audit Committee.

He obtained his Chartered Institute of Logistics and Transport in United Kingdom and Master of Science (Msc) in Transport Management from City University, London.

In 1988, Dato' Jasmy joined IBM Malaysia and held various positions within the Sales and Marketing Division, responsible mainly for the Public Sector and Financial Service Industries. Prior to leaving IBM Malaysia, he was the Executive Assistant to the Chief Executive Officer of IBM Malaysia.

Dato' Jasmy joined CCAAP Technologies Sdn. Bhd. as General Manager in 1996. He was also the Executive Director of New Technology & Innovation Sdn. Bhd.

In 2000, Dato' Jasmy co-founded Symphony Global Technologies Sdn. Bhd. and was involved in the formulation of Symphony House Berhad which was then listed on Bursa Malaysia Securities Berhad in 2003. He was the Chief Executive of Symphony's Technology Services Division. He also served as the Chairman of Symphony BCSIS Sdn. Bhd., a joint-venture company with OCBC Singapore's subsidiary, BCS Information Systems Pte. Ltd. ("BCSIS") and held the position until 2007. He was also an Independent Non-Executive Director of Malaysia Building Society Berhad up to February 2018. Presently, he is the Chief Executive of SGT International Sdn. Bhd. and a director of several other private limited companies.

He is currently an Independent Non-Executive Director of Symphony Life Berhad and Naza TTDI Sdn. Bhd. He is also an appointed Council Member of Badminton Association of Malaysia.

He does not have any family relationship with any other Director and/or other major shareholder of the Company. He does not have any conflict of interest with the Company. He has not been convicted for any offences within the past five (5) years nor has he been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

SELINA BINTI YEOP JUNIOR @ LOPE

Independent Non-Executive Director

Aged 50, Female, Malaysian

Age 50

Selina binti Yeop Junior @ Lope was appointed as an Independent Non-Executive Director of TSH on 14 August 2015. She also serves as the Chairperson of the Nomination Committee.

Selina Yeop Jr. is the Chief Executive Officer of Salina & Associates PR Sdn. Bhd., a boutique Public Relations agency based in Selangor, Malaysia. She holds an MBA from the Southern Pacific University, Delaware, United States of Americaa and obtained a Diploma in Public Relations from Stamford College, Kuala Lumpur, Malaysia.

She started her career at Chase Perdana Bhd in Kuala Lumpur as Head of Corporate Communications, following her stint at advertising giant Peter Beaumont & Friends, Kuala Lumpur. She has received the Pingat Ahli Mahkota Perak from Sultan Azlan Shah in 2008 for her numerous contributions to the field of Public Relations in the State.

Currently, Selina Yeop Jr. is on the Advisory Panel of the Women's Institute of Management, where she has co-authored two books entitled "The IPO Debut" and "Small & Medium Success Stories" in aid of impoverished single mothers.

She does not have any family relationship with any other Director and/or other major shareholder of the Company. She does not have any conflict of interest with the Company. She has not been convicted for any offences within the past five (5) years nor has she been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

NATASHA BINTI MOHD ZULKIFLI

Independent Non-Executive Director

Aged 44, Female, Malaysian

Age 44

Natasha binti Mohd Zulkifli was appointed as an Independent Non-Executive Director of TSH on 2 July 2018. She studied in Kuala Lumpur, New Zealand and London, obtaining a law degree from the London School of Economics (LSE) with a special focus on European Union and international law.

Natasha is currently Stakeholder Director at a wholly owned subsidiary of YTL Corporation Berhad, Syarikat Pembenaan Yeoh Tiong Lay Sdn Bhd which is responsible for building the new 192km electrified double track rail link for the Malaysian government in the state of Johor. Natasha has extensive experience in the Malaysian public transport space, having worked previously at Prasarana Malaysia Berhad ("Prasarana") as Head of International Relations where she initiated collaborations and partnerships with international public transport players to further enhance Prasarana and its standing in the international public transport world.

Prior to joining Prasarana, Natasha served as Special Officer to the Chief Executive Officer at Malaysia's Land Public Transport Commission (SPAD).

Given her deep interest to strengthen human capital development in the Malaysian rail space, in 2017 Natasha founded Women in Rail Malaysia, a not-for-profit entity which was established to support and promote equality and diversity within the Malaysian rail industry. She is passionate about driving Women in Rail Malaysia for the benefit of women not just currently working within the industry but to also promote the Malaysian rail space as a career of choice to young women currently studying in secondary school and in universities.

Natasha also previously ran the Malaysia-Europe Forum (MEF) as its Executive Director. The MEF was set up to improve economic relations and bilateral understanding between Malaysia and Europe in areas relating to business and trade. Under Natasha's leadership, MEF carried out business roundtables and dialogues in Kuala Lumpur, London, Brussels, Vienna, Munich, Paris and Madrid.

In the past, Natasha sat as Malaysia's representative on the Asia Low Emission Development Strategies (LEDS) Partnership Steering Committee, which is a voluntary regional network set up by US AID to support and promote low-emission development across Asia and the Pacific region. Since 2015 Natasha has represented Malaysia on the Business Women's Working Group within the ASEAN Business Advisory Council (ASEAN-BAC). ASEAN-BAC was established by the ASEAN Heads of Government to provide private sector feedback and guidance to boost ASEAN's efforts towards economic integration.

She does not have any family relationship with any other Director and/or other major shareholder of the Company. She does not have any conflict of interest with the Company. She has not been convicted for any offences within the past five (5) years nor has she been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

YAP BOON TECK

Independent Non-Executive Director

Aged 64, Male, Malaysian

Age 64

Yap Boon Teck was appointed as an Independent Non-Executive Director of TSH on 15 December 2015. He also serves as the Chairman of the Audit Committee and member of the Nomination Committee.

He obtained his professional accounting qualification from the Association of Chartered Certified Accountants (ACCA), United Kingdom. He is a member of the Malaysian Institute of Accountants.

He started his career with a small to medium size accounting and audit firms in the United Kingdom and medium to large local accounting and audit firms in Kuala Lumpur. While in public practice, Mr. Yap has gained experience in auditing both private and public companies mainly in finance and banking, property developments and manufacturing sectors.

He joined the MBf Group of Companies in November 1983 as an accountant and subsequently held various positions within the Group which included, property, insurance & financial services and manufacturing. Prior to leaving MBf Group in August 2003, he was the President-Corporate of MBf Holdings Berhad and MBf Capital Berhad.

In August 2003, he was appointed as Executive Director of Metroplex Berhad before he left in March 2006 to join Malaysian Land Properties Sdn. Bhd. where he served as the Group General Manager, overseeing management of the completed projects such as building management, shopping centre and hotels. He was also involved in the negotiation to purchase a major property and responsible for the various departments within the company, namely personnel, legal, finance and accounting and general administration.

In March 2011, he joined KIP Group of Companies as Chief Executive Officer. He resigned from the KIP Group of Companies on 31 May 2017.

He joined Malaysia Land Properties Sdn. Bhd. as a Managing Director-Asset Management on 1 June 2018.

He does not have any family relationship with any other Director and/or other major shareholder of the Company. He does not have any conflict of interest with the Company. He has not been convicted for any offences within the past five (5) years nor has he been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

TAN AIK KIONG

Group Executive Director

Aged 59, Male, Malaysian

Age 59

Tan Aik Kiong is the Group Executive Director of TSH. He was appointed to the Board of Directors of TSH on 25 November 1987. He sits on the board of various subsidiary companies of TSH and holds directorship in other private limited companies. He also sits on the board of Innoprise Plantations Berhad as an Alternate Director.

He obtained a Masters Degree in Civil Engineering, majoring in Construction Management, from the Oklahoma State University, United States of America. Prior to joining the Company, he was attached to Prudential Bache Ltd., an established brokerage and commission house and subsequently with Ameroid Services Pte. Ltd., an independent warehousing company in Singapore.

He is the brother of Datuk (Dr.) Kelvin Tan Aik Pen, Dato' Aik Sim, Tan and Tan Aik Yong. He does not have any conflict of interest with the Company. He has not been convicted for any offences within the past five (5) years nor has he been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

CHEW SIEW YENG

Independent Non-Executive Director

Aged 61, Male, Malaysian

Age 61

Chew Siew Yeng was appointed as an Executive Director of TSH on 1 January 2013. On 1 November 2016, he was re-designated as Non-Independent Non-Executive Director following his retirement as Chief Financial Officer after 8 years of service. On 1 November 2018, he was re-designated as Independent Non-Executive Director. He also serves as a member of the Audit Committee and Remuneration Committee.

He started his career with an international accounting firm, PricewaterhouseCoopers from 1979 until 1994. During this period, he was attached to Audit and Business Advisory, Business Centre and Management Consultancy divisions with wide experiences covering all sectors of industries in private and listed companies. In 1995, he joined a listed company, AMDB Bhd as the Group Financial Controller until 2007 with his last position as Senior General Manager-Corporate Services/Finance and Chief Risk Officer. During this period, his main responsibilities included serving on the EXCO/Board of AMDB Group of companies and financial management involving supervision of the Group Finance functions, merger and acquisition, risk management, treasury and tax functions.

He holds a professional accounting qualification from the Malaysian Institute of Certified Public Accountants. He is a member of the Malaysian Institute of Accountants.

He does not have any family relationship with any other Director and/or other major shareholder of the Company. He does not have any conflict of interest with the Company. He has not been convicted for any offences within the past five (5) years nor has he been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

TAN AIK YONG

Executive Director

Aged 50, Male, Malaysian

Age 50

Tan Aik Yong was appointed as an Executive Director of the Company on 1 February 2016. He was previously an Alternate Director since 4 July 2003.

He is a non-practising barrister with a degree in Bachelor of Laws (LLB) from Queen Mary College, University of London. He qualified as a Chartered Financial Analyst (CFA) in 1998. His career started with a law firm in Kuala Lumpur and had since spent 10 years in investment banking activities in the region. He was a senior manager in United Overseas Bank Group prior to joining TSH Group to handle investment planning, corporate and financing matters in 2002.

He also holds directorship in other private limited companies.

He is the brother of Datuk (Dr.) Kelvin Tan Aik Pen, Dato' Aik Sim, Tan and Tan Aik Kiong. He does not have any conflict of interest with the Company. He has not been convicted for any offences within the past five (5) years nor has he been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

LIM FOOK HIN

Non-Independent Non-Executive Director

Aged 69, Male, Malaysian

Age 69

Lim Fook Hin was appointed as an Executive Director of TSH on 9 May 1997. On 1 February 2016, he was re-designated as Non-Independent Non-Executive Director. He also serves as a member of the Audit Committee, Remuneration Committee and Nomination Committee. He is currently a Director of Ekowood International Berhad and the Executive Director of Innoprise Plantations Berhad. He also sits on the board of some subsidiary companies within the TSH Group and holds directorship in other private limited companies. He is a member of the Malaysian Institute of Certified Public Accountants. After qualifying as a member of the ICAEW, he joined Coopers & Lybrand as an Audit Senior in 1976 and was transferred to Coopers' management consultancy services in 1977. He joined the Commonwealth Development Corporation in 1978 and was seconded to Sarawak Oil Palm Sdn. Bhd. as Company Secretary.

He joined BAL Plantation Sdn. Bhd. in 1981 as Financial Controller until 1993. His main responsibility included financial management, merger and acquisition and commodity marketing. He was Chief Executive of United Palm Oil Industries PLC ("UPOIC"), a company listed on the Stock Exchange of Thailand before joining TSH in 1997.

He does not have any family relationship with any other Director and/or other major shareholder of the Company. He does not have any conflict of interest with the Company. He has not been convicted for any offences within the past five (5) years nor has he been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

MICHAEL WONG CHUNG HAU

Chief Financial Officer of TSH Resources Berhad
Aged 53, Male, Malaysian

Age 53

Michael Wong is a member of the Malaysian Institute of Accountants, CPA Australia and ICAEW's Corporate Finance Faculty. He holds a Bachelor of Commerce (Honours) from the University of Melbourne, Australia.

He was appointed as Chief Financial Officer of the Group on 9 January 2018. He has 29 years of working experience in accounting, corporate finance, auditing and corporate advisory. Immediately prior to joining the Company, he was the Chief Financial Officer of Warisan TC Holdings Berhad. Prior to that, he had also served as Director of Corporate Finance at Deloitte Corporate Advisory Services Sdn. Bhd. where he led various engagements, including mergers and acquisitions, operational restructurings, feasibility studies and valuations.

MUNIRETERNAM MUNIANDY

Group General Manager, Operations of TSH Resources Berhad
Aged 49, Male, Malaysian

Age 49

M. Munireternam is the Group General Manager of TSH Group, having joined the Company on 2 July 2018.

He has a Bachelors in Economics from his alma mater i.e. University of Malaya.

Having vast experience in the plantation industry (24 years to be exact), Munireternam has worked for various companies such as Golden Hope Plantations Berhad, Sime Darby Plantation Berhad and Olam International Limited (Singapore) prior to joining TSH Group. Given the nature of his job, Munireternam has been exposed to a wide spectrum of plantation operations ranging from land clearing to harvesting and processing in Malaysia and Africa. In addition to oil palm, he also has experience in managing cocoa and rubber plantation from planting till processing.

He also has vast experience in mechanisation of the plantation activities especially for oil palm plantation of FFB evacuation system through changes in work processes resulting in higher labor and machine productivity, improve earnings, retaining skilled workforce, optimise utilisation of resources and be cost effective.

PANG THAU YIN

General Manager, Research and Development of TSH Resources Berhad
Aged 58, Male, Malaysian

Age 58

Pang Thau Yin was appointed as General Manager, Research & Development on 1 October 2007. He obtained his BSc Hons in Agricultural Science from the University of Nottingham, United Kingdom.

Prior to joining the Company, he was a Chief Research Officer in the research and development department of a major plantation group. He has 32 years of experience in plantation crop research and advisory.

Profile of Key Senior Management

LOO SAY HEE

General Manager, Mill Operations of TSH Resources Berhad
Aged 53, Male, Malaysian

Age 53

Loo Say Hee joined the Company as General Manager, Mill Operations on 28 November 2014. He holds a Masters of Science in Computer Aided Engineering from University of Teesside, United Kingdom and possesses a Mechanical Engineering degree from the Engineering Council, United Kingdom.

His work experience spans 26 years in several public listed and multinational companies in various industrial manufacturing operations. Prior to joining the Company, he was the GM of a Japanese JV overlooking the entire stainless steel pipe fittings business which includes Sales and Manufacturing. He has knowledge of the power generation business through Jebsen & Jessen as their Technical & Coordination Manager. He was also involved in the tobacco business while working for Philip Morris as their Engineering Manager. He started his career in Motorola as an Equipment Engineer before moving to a public listed company producing wood-based office furniture in the capacity as Manager of Maintenance, Tooling and Facilities.

ANG WEI ENG

Head of HR, TSH Resources Berhad
Aged 42, Male, Malaysian

Age 42

Ang Wei Eng was appointed as Head of HR on 8 June 2015. He obtained his degree in Business Administration from the Association of Business Executive, United Kingdom. Currently, he is pursuing his Master of Business Administration from Anglia Ruskin University.

Prior to joining the Company, he was the ISC HR Lead in the Human Resources department of a FMCG company. He has 20 years of experience in Human Capital.

GOH KIAN YIN

Regional Financial Controller in Indonesia
Aged 39, Male, Malaysian

Age 39

Goh Kian Yin joined the Group as Regional Financial Controller on 4 January 2016. He holds a Bachelors Degree in Accounting from La Trobe University, Australia and is a member of CPA Australia.

His work experience spans 17 years in several public listed and multinational companies in corporate finance, accounting, and taxation within various industries. Prior to joining the Company, he held senior positions in the finance division of GMG Global Ltd, a Singapore based integrated natural rubber producer, with primary focus on the production and supply of premium natural rubber products to the European, American and Asian markets. He is responsible for leading the development and execution of the Group's long term strategy for its operation in Africa and Indonesia. He has served as Director in IMC Plantation Group of Companies in Indonesia. He started his career with RSM International in Malaysia.

Profile of Key Senior Management

MOHD FAUDZI BIN AHMAD

General Manager, Estates for Sumbar, Indonesia
Aged 63, Male, Malaysian

Age 63

Mohd Faudzi joined the Group as Asst. General Manager, Estates for Sumbar, Indonesia on 12 November 2011 and was promoted to become General Manager, Estates on 1 January 2015. He has more than 40 years of experience in plantation management in Peninsular Malaysia, Sabah, Kalimantan and Sumatera. The companies he was previously attached to includes Sime Darby Plantation Sdn. Bhd., Kulim (M) Bhd and IOI Plantation Services Sdn. Bhd. His responsibilities consisted of managing oil palm estates, field maintenance, preventive maintenance for roads and vehicles, labour management, preparation of estate budgets and work programmes, implementation of financial control and estate operation activities to leading, training and motivating subordinates and workforce.

DOMINIC CHONG YU

General Manager, Operations
Aged 46, Male Malaysian

Age 46

Dominic Chong has been a General Manager in Ekowood since 2014. He graduated from the University of Leeds with a degree in Mechanical Engineering in 1995. After a brief stint in the steel business, Dominic spent the next 10 years of his career in engineering, project management and regional operational roles with the Linde Group. He then went on to head South Pacific Chemical Industries Sdn Bhd and Nippon Industrial Gases Pte Ltd before joining Ekowood.

Additional information:

None of the Key Senior Management has:

(i) family relationship with any Director/major shareholder of the Company;

(ii) any conflict of interest with the Company;

(iii) been convicted of any offence within the past five (5) years; and

(iv) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of TSH ("Board") recognises that exercise of good corporate governance in conducting the business and affairs of the Company with integrity, transparency and professionalism are key components for the Company's continued progress and success. These will not only safeguard and enhance shareholders' investment and value but will at the same time ensure that the interests of other stakeholders are protected.

The Board is therefore committed to high standards of corporate governance and business practices. Accordingly, the Board has adopted TSH Corporate Governance Guidelines ("TSH Guidelines") to assist the Board in the exercise of its responsibilities. The TSH Guidelines, along with the terms of reference ("TORs") of the Board and Board Committees provide the framework for corporate governance at TSH. The Board periodically reviews the TSH Guidelines and TORs to ensure its relevance and it was last updated on 23 August 2018.

The Board is pleased to present this Statement, an overview of TSH's corporate governance practices during the financial year with reference to the 3 Principles which are set out in the Malaysian Code on Corporate Governance 2017 ("Code"):

(1) Board leadership and effectiveness;
(2) Effective audit and risk management; and
(3) Integrity in corporate reporting and meaningful relationship with stakeholders.

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS

I. ROLE AND RESPONSIBILITIES OF THE BOARD

The Board has overall responsibility for overseeing the effective management and control of the Group on behalf of TSH's shareholders and supervising executive management's conduct of the Group's affairs within a controlled authority framework, which is designed to enable all aspects of operation are prudently and effectively assessed and monitored. The Board has adopted a schedule of matters reserved to it for decision, a copy of which can be found on TSH's website at www.tsh.com.my.

The Board is guided by its Board Charter which sets out the Board's roles, powers, duties and functions. The Board Charter can be found online at TSH's website. The structure of the Board ensures that no individual or group of individuals dominates the Board's decision-making process. The Board is supported by the Audit Committee, Remuneration Committee and Nomination Committee. Each Board Committee has defined TORs, which can be found on TSH's website.

Clear Functions of the Board and Management

There is a clear distinction between the roles and responsibilities of the Board, Chairman and Group Managing Director which are set out in the TSH Guidelines.

The Board retains full and effective control of the Company. Matters specifically referred to the Board for approval include, inter-alia reviewing and approving corporate proposals, plans and annual budgets, acquisitions and disposals of undertakings and properties of a substantial value, major investments and financial decisions and changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits.

The Board delegates some of its function to the Committees of the Board which operate within clearly defined TORs with a view to assist in the fulfillment of its responsibilities. Chairmen of the various Committees report to the Board with a recommendation on all matters considered at its meeting. In addition, minutes of each Board Committee meeting is circulated to all Board members in order to keep the Board abreast of the actions and decisions taken by each Board Committee.

Corporate Governance Overview Statement

The Board plays an active role in the development of the Group's strategic plan with a view to maximising shareholder value and promoting sustainability. This includes review, comment and provide final approval of the Group's strategic plan prepared by management. In conjunction with this, the Board also reviews and approves the annual budget for the ensuing year and monitors management's implementation of and performance with respect to that agreed strategic plan.

The Board carries out periodic review of the achievements by the various operating segments against their respective business targets to determine whether these divisions are efficiently managed. Financial statements are reviewed by the Board before being released through Bursa LINK.

Some of the matters considered by the Board in relation to the strategic priorities are disclosed in the Corporate Governance Report ("CG Report"), a copy of which can be downloaded from TSH's website at www.tsh.com.my.

Company Secretary

The Board is supported by a qualified Company Secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretary ensures that all governance matters and Board policies and procedures are followed and that applicable laws and regulations are complied with.

All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Board, to whom the Company Secretary is directly accountable.

Supply and Access to Information and Advice

The Directors have access to all information within the Company, whether as a full board or in their individual capacity, to the extent that the information required is pertinent to the discharge of their duties as Directors.

For each Board and Committee meeting, the meeting papers are, to the extent feasible, provided/made available 5 working days prior to each meeting so that Directors have sufficient time to read and understand the information and obtain further information, clarification or explanation, where necessary. Time is allocated for Directors to raise other matters not covered by the formal agenda.

The Board has also put into place a procedure for Directors, whether as a full Board or in their individual capacity, to take independent professional advice at the Company's expense, if necessary. Details of procedures are disclosed in the TSH Guidelines.

Management will make all information readily available to the professional advisers and must make themselves available to such advisers in order to facilitate the effective solution of the Director's concerns. The findings of the advisers will need to be put before the Board for determination of any action that may be required by the Company.

Code of Ethics

The Board is guided by a high standard of ethical conduct in accordance with the Code of Ethics for Company Directors as established by the Companies Commission of Malaysia. The Board is ultimately responsible for the implementation of this Code of Ethics.

The Board has delegated to the Nomination Committee the responsibility to administer this Code of Ethics. The procedures which are set out in the TSH Guidelines are disclosed in the CG Report.

TSH has a Code of Ethics to govern the employees. The provisions set out in the Code of Ethics ensure compliance with laws and regulations, sound employment practices, confidentiality and privacy. It also includes amongst others, provisions on conflicts of interest, bribery and the protection and proper use of TSH's assets and resources. To tackle new challenges, this Code of Ethics has been expanded to include anti-corruption and money laundering.

Whistle-Blowing Policy

The Board has adopted a Whistle-Blowing Policy in February 2010 that outlines the principles underpinning the policy and grievance procedures. This policy aims to encourage the reporting of any misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group, in good faith, with the confidence that employees making such reports will, to the extent possible, be protected from reprisal.

Details of whistle-blowing channel are available on the Company's website at www.tsh.com.my.

II. BOARD COMPOSITION AND INDEPENDENCE

TSH Board currently consists of 10 members, 5 Independent Non-Executive Directors including 2 female Directors, 2 Non-Executive Directors, one of whom is the Chairman and 3 Executive Directors, including Group Managing Director. The Board composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") that requires a minimum of 2 Directors or one-third of the Board, whichever is higher, to be independent directors.

During the financial year, Datuk Jaswant Singh Kler, an Independent Non-Executive Director had retired and stepped down as a Director at the conclusion of TSH's 38th Annual General Meeting ("AGM") held on 24 May 2018. Subsequently on 2 July 2018, Natasha binti Mohd Zulkifli was appointed as Independent Non-Executive Director to fill the vacancy.

On 1 November 2018, Chew Siew Yeng was re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director as he had fulfilled the criteria of independent director as defined under the Listing Requirements.

The Board consists of a majority of Non-Executive Directors and the Independent Directors are able to exercise strong independent judgement and provide balance to the Board with their unbiased and independent views, advice and judgement in all Board deliberations. The composition of the Board continues to provide the Group with a wealth of knowledge and experience to draw from a comprehensive mix of skills which includes financial, technical, public relations, accountancy, legal and business expertise that is important for the continued successful direction of the Group.

Annual Assessment of Independent Directors

The Independent Non-Executive Directors play a crucial role in bringing objectivity to the decisions made by the Board. They provide independent judgement, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all stakeholders are taken into account and that the relevant issues are subjected to objective and impartial consideration by the Board.

All Independent Directors are required to assess their level of independence annually by completing the form of annual assessment of independence of independent directors for submission to the Nomination Committee for review and assessment. The Chairman of the Nomination Committee shall then report the findings and/or recommendations to the Board.

For the financial year ended 31 December 2018, each of the 5 Independent Non-Executive Directors had provided an annual confirmation of his/her independence to the Board based on its policy on criteria of assessing independence in line with the definition of "independence directors" prescribed by the Listing Requirements. The Nomination Committee and the Board had assessed the 5 Independent Non-Executive Directors of the Company, namely Dato' Jasmy bin Ismail, Selina binti Yeop Junior @ Lope, Natasha binti Mohd Zulkifli, Yap Boon Teck and Chew Siew Yeng and were satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company. Each Independent Director has retained their independence throughout the tenure and had not in any circumstances formed any association with management that might compromise their ability to exercise independent judgement.

Tenure of Independent Director

The Board believes that the interests of all stakeholders are best served if its composition includes a blend of experience and tenure among Directors. The Board is of the view that the ability of long serving independent directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age. Their long service should not affect their independence as they are independent-minded and they continue to provide the necessary checks and balances in the best interest of the Company.

Notwithstanding the above, as at the date of this Statement, none of the Independent Directors has served more than 9 years on the Board.

Diversity

The Board acknowledges the importance of Board diversity, including gender, ethnicity, age and business experience, to the effective functioning of the Board. While it is important to promote such diversity, the normal selection criteria of a Director, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board should remain a priority so as not to compromise on effectiveness in carrying out the Board's functions and duties.

While the Board does not have a specific policy on setting targets for women candidates and ethnicity, the Board will as best as it can, ensure that its composition not only reflects the diversity as recommended by the Code but also has the right mix of skills and balance to contribute to the achievement of the Group's goals. The Board, through its Nomination Committee will evaluate and match the criteria of future potential nominees to the Board as well as considering the boardroom diversity.

The Board, through its Nomination Committee will continue to review the balance, experience and skills of the Board, paying attention to the Board's gender diversity.

The Company practices equal employment opportunities to all qualified individuals to create a workforce that is fair and inclusive and seeks to retain and attract the best people to do the job. The Company rewards and promotes employees based on assessment of individual performance, capability and potential. The Company is committed to providing opportunities that allow individuals to reach their full potential irrespective of individual background or difference.

Summary of the gender and age mix of our workforce (palm bio-integration and forest management divisions) is disclosed on page 28 of the Sustainability Statement.

Appointment of new Directors

A formal and transparent procedure has been established for the appointment of new Directors to the Board and the Nomination Committee is empowered to identify and recommend suitable Directors to fill new positions created by expansion and vacancies that occur by resignation, retirement or for any other reason.

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from:

(a) the Group Managing Director, other Directors or shareholders for executive position;

(b) Non-Executive and/or Independent Directors or non major controlling shareholders for non-executive position; and

(c) external parties including the Company's contacts in related industries as well as independent sources such as women directors' registry, finance, legal and accounting professions.

The Nomination Committee has added the above Part (c) in its terms of reference in February 2018 to be in line with Practice 4.6 of the Code.

A comprehensive and independent assessment of the candidate will be conducted by the Nomination Committee without any influence from the major controlling shareholders, Group Managing Director or Executive Directors.

In considering candidates as potential Directors, the Nomination Committee takes into account the following criteria:

- skills, knowledge, expertise and experience;
- character, integrity and professionalism;
- perceived ability to work cohesively with other members of the Board;
- number of directorships and other external obligations which may affect the Director's commitment, including time commitment and value contribution;
- diversity in age, gender and experience/background; and
- such other relevant factors as may be determined by the Nomination Committee which would contribute to the Board's collective skills,

whilst taking into account the current and future needs of the Company, boardroom diversity and other soft attributes required as Directors.

On 2 July 2018, the Board approved the recommendation of the Nomination Committee that Natasha binti Mohd Zulkifli be appointed as Independent Non-Executive Director of the Company. Her profile is set out in this Annual Report.

III. FOSTER COMMITMENT

Time Commitment

The Board has adopted a policy whereby all its Board members are required to notify the Chairman of the Board before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

A schedule of Board and Board Committee meetings set for a whole financial year is prepared in advance and tabled to the Board for approval before the commencement of a new financial year to enable the Directors to plan ahead and allocate time in their respective schedules.

During the financial year, the Board met 4 times, whereat it deliberated and considered various matters including the Group's financial results, major investment and strategic decisions, business plan and direction of the Group. Details of attendance of each Board member are as follows:

Corporate Governance Overview Statement

Name	27/02/18	23/05/18	23/08/18	29/11/18	Total
Datuk (Dr.) Kelvin Tan Aik Pen	✓	✓	✓	✓	4/4
Dato' Aik Sim, Tan	✓	✓	✓	✓	4/4
Dato' Jasmy bin Ismail	✓	✓	✓	✓	4/4
Selina binti Yeop Junior @ Lope	✓	✓	✓	-	3/4
Natasha binti Mohd Zulkifli (appointed on 2 July 2018)	-	-	✓	✓	2/2
Yap Boon Teck	✓	✓	✓	✓	4/4
Tan Aik Kiong	-	✓	✓	✓	3/4
Chew Siew Yeng	✓	✓	✓	✓	4/4
Tan Aik Yong	✓	✓	✓	✓	4/4
Lim Fook Hin	✓	✓	✓	✓	4/4
Datuk Jaswant Singh Kler (retired on 24 May 2018)	✓	✓	-	-	2/2

The Directors' commitment to carry out their duties and responsibilities is affirmed by their attendance at the Board meetings held during the financial year ended 31 December 2018. In addition to the above, all Directors of the Company have complied with the Listing Requirements of not holding more than 5 directorships in listed issuers at any given time.

Directors' Training

All Directors receive full and appropriate briefing on first appointment, with subsequent updating as necessary. They were also provided with a Directors' manual containing amongst others, the background information on TSH Group, TSH Guidelines and other relevant policies for their reference.

All Directors had attended the Mandatory Accreditation Programme ("MAP"). The Board, through the Nomination Committee had undertaken an assessment of the training needs of each Director for the financial year under review and concluded that all Board members have vast experience and extensive knowledge in managing the core business of the Group. Nonetheless, the Directors are encouraged to attend various training programmes to ensure they keep abreast on various issues facing the changing business environment within which the Group operates to effectively discharge their duties as Directors.

For the year under review, all Directors had attended various seminars, talk, briefing and/or workshop either collectively or individually, details of which are set out in the CG Report.

IV. BOARD COMMITTEES

Nomination Committee

The Board has established a Nomination Committee on 26 June 2001 and currently comprises 2 Independent Non-Executive Directors and 1 Non-Independent Non-Executive Director. The Nomination Committee is chaired by a Senior Independent Director as follows:

- Selina binti Yeop Junior @ Lope (Chairperson)
- Yap Boon Teck
- Lim Fook Hin

On 24 May 2018, Selina binti Yeop Junior @ Lope was appointed as the Chairperson of the Nomination Committee and Senior Independent Director to replace Datuk Jaswant Singh Kler who had ceased to be the Chairman of the Nomination Committee and Senior Independent Director following his retirement as a Director at the conclusion of the last AGM.

Concurrently on 24 May 2018, Yap Boon Teck was also appointed as a member of the Nomination Committee to replace Dato' Jasmy bin Ismail who had stepped down as a member of the Nomination Committee.

The Nomination Committee is responsible for reviewing the Board's succession plans, training for Directors and assessing the effectiveness of the Board and Board Committees. The last review of the TORs of the Committee was carried out in February 2018. Details of its TORs are available on TSH's website.

Annual Assessment

The Board has adopted a formal process to be carried out by the Nomination Committee for reviewing its own effectiveness and that of its individual Directors and Board Committees and assessing the independence of its Independent Directors. The process will also take into account the fulfillment of the respective TORs of the Board and Board Committees.

Details of the evaluation process and criteria as well as summary of the activities undertaken by the Nomination Committee during 2018 are disclosed in the CG Report.

The Directors who are due for retirement and re-election pursuant to Clause 100 of the Company's Constitution are Yap Boon Teck, Chew Siew Yeng and Tan Aik Yong whilst Natasha binti Mohd Zulkifli is due for retirement and re-election pursuant to Clause 97 of the Company's Constitution. The Nomination Committee has recommended their re-election at the forthcoming AGM.

Future priorities of the Nomination Committee include the following:

- reviewing the overall composition of the Board, in terms of the appropriate size, skills, experience and qualification, paying attention to the Board's gender diversity and number of Independent Directors.

- consider the engagement of external Board evaluation facilitator/consultant.

Corporate Governance Overview Statement

Remuneration Committee

The Board has established a Remuneration Committee on 26 June 2001 and currently comprises 2 Independent Non-Executive Directors and 1 Non-Independent Non-Executive Director as follows:

- Dato' Jasmy bin Ismail (Chairman)
- Chew Siew Yeng
- Lim Fook Hin

On 24 May 2018, Dato' Jasmy bin Ismail was appointed as the Chairman of the Remuneration Committee to replace Datuk Jaswant Singh Kler who had ceased to be the Chairman of the Remuneration Committee following his retirement as a Director at the conclusion of the last AGM.

Concurrently on 24 May 2018, Chew Siew Yeng was also appointed as a member of the Remuneration Committee to replace Selina binti Yeop Junior @ Lope who had stepped down as a member of the Remuneration Committee.

The Remuneration Committee's primary responsibility is to recommend to the Board the remuneration of the Executive Directors and senior management staff at director level in all its forms, drawing from outside advice as necessary.

The Remuneration Committee assists the Board in developing a policy on remuneration of Directors to attract and retain Directors and ensure that rewards and remuneration packages are commensurate with each of their expected responsibilities and contribution to growth and profitability of the Company.

The remuneration of the Executive Directors is structured on the basis of linking rewards to corporate and individual performance. The Executive Directors play no part in deciding their own remuneration and the Directors concerned shall abstain from all discussion pertaining to their remuneration.

The level of remuneration for Non-Executive Directors reflects the experience and level of responsibilities. The Board as a whole determines the remuneration package of Non-Executive Directors. The annual Directors' fees payable to Non-Executive Directors are subject to shareholders' approval at the AGM based on the recommendation of the Board. Additional allowances are paid to certain Non-Executive Directors in accordance with the number of meetings attended during the financial year.

Details of the remuneration of the Directors of the Company for the financial year under review are disclosed in the CG Report.

PRINCIPLE 2: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

As at the date of this report, the Audit Committee comprises 4 members, all of whom are Non-Executive Directors with a majority of them being Independent Directors. The Audit Committee is chaired by an Independent Non-Executive Director who is not the Chairman of the Board.

The Audit Committee is authorised by the Board to investigate any matter within its TORs and to have the resources in order to perform its duties and responsibilities as set out in its TORs. The last review of the TORs of the Audit Committee was carried out in February 2018 requiring a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee. The revised TORs are made available on the Company's website at www.tsh.com.my and its report is set out in the ensuing pages of this Annual Report.

The Company's financial statements for the year ended 31 December 2018 are prepared in accordance with the provisions of the Act and applicable financial reporting standards in Malaysia. The Board is responsible to ensure that the financial statements give a true and fair view and balanced and understandable assessment of the state of affairs of the Company and of the Group. The Statement of Directors' Responsibilities in respect of the preparation of the annual audited financial statements is set out in the ensuing pages of this Annual Report.

The Audit Committee assists the Board to review the adequacy and integrity of the Group's financial administration and reporting, internal control and risk management systems.

During the year under review, the Audit Committee reviewed the Company's quarterly results and annual financial statements prior to recommending them for the Board's approval and release to public through Bursa LINK.

The Chief Financial Officer presented the Company's quarter-to-quarter and year-to-date financial performance against budget as well as performance of each business segment. The Chief Financial Officer also provided assurance to the Audit Committee that adequate processes and controls were in place for an effective and efficient financial statement close process, that appropriate accounting policies had been adopted and applied consistently and that the relevant financial statements gave a true and fair view of the state of affairs of the Group.

In addition, the Head of Internal Audit also undertook independent assessment of the system of internal control and assured the Audit Committee that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

Assessment of Suitability and Independence of External Auditors

The Board through the Audit Committee maintains a formal and transparent relationship with the Company's external auditors. The external auditors are invited to attend the Audit Committee meetings and AGMs and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

The Audit Committee undertakes annual independent assessment of the external auditors, details of which are disclosed in the CG Report. The Audit Committee continually reviews the nature and extent of non-audit services provided to the Group by the external auditors to ensure that external auditors' independence and objectivity are safeguarded. The external auditors would also provide written assurances to the Audit Committee on their independence.

Overall, the Audit Committee was satisfied with the suitability of Messrs BDO PLT as external auditors of the Group based on the quality of audit services and sufficiency of resources they provided to the Group.

Risk Management and Internal Audit

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

The Board has established framework & policies to ensure that risk management and internal controls across the various risk classes are managed within risk appetite set by the Board. To ensure their continuous effectiveness, the framework and policies are reviewed periodically, and when there are significant regulatory changes.

The Company has put in place a comprehensive systems of internal control which is embodied within the Standard Operating Procedures covering financial controls, operational and compliance controls and risk management. Some of the systems have been in place over the years and will continue to be reviewed, added on or updated in line with the changes in the operating environment. The Board seeks regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by the internal and external auditors. Information on the Group's internal control and risk management are presented in the Statement on Risk Management and Internal Control.

Corporate Governance Overview Statement

In addition to routine business, the Audit Committee through the internal audit function, actively reviews:

- whether the systems in place are being followed;
- risk register at every meeting as on-going process for risk identification and assessment on Group's operation; and
- audit findings are discussed with management for execution and implementation.

The Company has established an internal audit function which reports directly to the Audit Committee. The internal audit department communicates regularly with the members of the Audit Committee and the Head of Internal Audit is invited to attend meetings of the Audit Committee. Internal audit activities, all of which are risk-based, are performed by a team of appropriate, qualified and experienced employees. Further information on internal audit function is set out in the Audit Committee Report of this Annual Report and CG Report.

PRINCIPLE 3: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Stakeholder Engagement

TSH Group is committed to engaging all stakeholders in a timely, effective and transparent manner. The Group has established a comprehensive website at www.tsh.com.my, which includes a dedicated section on Investor Relations, to support its communication with the investment community. Investor queries may be directed to our Executive Director, Frederick Tan Aik Yong at fredtan@tsh.com.my. Stakeholders who wish to reach the respective divisions of the Group can do so through the 'Contact Us'.

The stakeholder groups whose activities could have significant impact on our business are carefully identified and are engaged at various platforms and intervals throughout the year. A variety of engagement initiatives including direct meetings and dialogues with community are constantly conducted. We also actively seek solutions to grievances and disputes through negotiations and other due processes. Our Sustainability Team has a dedicated section to address any enquiries or grievances relating to sustainability issues. Details on the stakeholders engagement can be found on our Sustainability Statement.

Corporate Disclosure Policy

The Company's Corporate Disclosure Policy is designed to ensure the timely release of material price-sensitive information to the market. This policy establishes procedures to ensure that Directors and employees are aware of the Company's disclosure obligations and procedures, and have accountability for the Company's compliance with those obligations.

The Company has also put in place the precautions to be observed in order to keep the information completely confidential. The Board is mindful that information which is expected to be material must be announced immediately.

Leverage on Information Technology

The Company maintains a website at www.tsh.com.my for shareholders and the public to access information on amongst others, the Company's background, business activities and products, annual reports, corporate responsibility, shareholders' rights, updates on its various news and events and financial performance. In addition, the Board has also established a dedicated section for corporate governance on the Company's website where information on the Board Charter, shareholders' rights, code of ethics and conducts and whistle-blowing may be accessed.

The Board also encourages other channel of communication with shareholders. For this purpose, shareholders and other stakeholders may convey their concerns relating to the Company to the Senior Independent Non-Executive Director, Selina binti Yeop Junior @ Lope. At all times, shareholders may contact the Company Secretary for information on the Company.

Encourage Shareholder Participation at General Meetings

The AGM is the principal forum for dialogue with shareholders, who are given the opportunity to enquire and seek clarification on the operations and financial performance of the Group. Hence, the Chairman and the Board encourage shareholders to attend and participate in the AGM and any general meetings of the shareholders. Barring any unforeseen circumstances, all Directors have always used their best endeavours to attend general meetings. The Chairmen of the Audit, Nomination and Remuneration Committees were also available to provide meaningful response to any question raised by shareholders.

In line with Practice 12.1 of the Code, Notice for the forthcoming AGM and a copy of the Company's abridged annual report are sent out to shareholders at least 28 days before the meeting. The shareholders are given the opportunity to seek clarification on the Company's financial statements and other items for adoption at the meeting before putting a resolution to vote. The Chairman also shared with the shareholders on the Company's responses to questions submitted in advance of the AGM by the Minority Shareholders Watch Group ("MSWG"). It has always been the practice for the Chairman to provide ample time for the Q&A sessions in the AGMs and for suggestions and comments by shareholders to be noted by management for consideration. Members of the Board as well as the external auditors and representatives from the share registrars of the Company are present to answer questions raised at the meeting.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposal during the financial year.

2. Audit and Non-Audit Fees

The amount of audit fees paid or payable to the external auditors and its affiliates in relation to the audit and non-audit services rendered to the Company and the Group for the financial year ended 31 December 2018 are as follows:

	Group (RM)	*Company (RM)*
Audit fees	757,000	137,000
Non-audit fees	9,000	-

3. Material Contracts

During the financial year under review, save as disclosed in the sections under Recurrent Related Party Transactions set out in the ensuing pages of this Annual Report, there were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests which were still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

4. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the last AGM of the Company held on 24 May 2018, the Company had obtained a mandate from its shareholders ("Shareholders Mandate") to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature ("Recurrent Transactions"). In accordance with Paragraph 10.09(2)(b) of the Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 December 2018 pursuant to the Shareholders' Mandate are as follows:

Corporate Governance Overview Statement

Name of Companies	Related Parties	Class of Related Party	Nature of Recurrent Transactions	Aggregate value of transactions made during the financial year (RM)
TSH Plantation Sdn. Bhd. ("TSHP") and TSH Plantation Management Sdn. Bhd. ("TSHPM") (Seller)	**TSH-Wilmar Sdn. Bhd. ("TSH-W") (Buyer)**	TSH-W is a joint venture company in which TSH Resources Berhad ("TSH") holds 50% equity interest. Datuk (Dr.) Kelvin Tan Aik Pen is a Director and substantial shareholder of TSH. He also holds directorship in TSH-W. Tan Aik Kiong is a Director and shareholder of TSH and also holds directorships in TSHP, TSHPM and TSH-W. Dato' Aik Sim, Tan and Tan Aik Yong are Directors and shareholders of TSH. Both of them are persons connected to Datuk (Dr.) Kelvin Tan Aik Pen and Tan Aik Kiong. Tan Soon Hong, Ong Yah Ho, Tan Ah Seng, Tan Aik Choon, Tan Ek Huat, Tan Aik Hwa and Chin Chui Fong are shareholders of TSH and persons connected to Datuk (Dr.) Kelvin Tan Aik Pen and Tan Aik Kiong. Tan Aik Choon, Tan Ek Huat and Tan Aik Hwa are also directors of certain TSH subsidiaries.	Sale of crude palm oil	330,294,989
TSHP and TSHPM (Seller)	**TSH-W (Buyer)**	Same as disclosed above	Sale of palm kernel	61,920,129
TSHPM (Buyer)	**Serijaya Industri Sdn. Bhd. ("SJI") (Seller)**	SJI is a wholly-owned subsidiary of Innoprise Plantations Berhad ("Innoprise"). TSH is a substantial shareholder of Innoprise. Datuk (Dr.) Kelvin Tan Aik Pen is a substantial shareholder and Director of TSH. He is also a director of Innoprise and SJI and shareholder of Innoprise. Tan Aik Kiong is a Director of TSH, TSHPM and shareholder of TSH. He is also an Alternate Director and shareholder in Innoprise. Dato' Aik Sim, Tan and Tan Aik Yong are Directors and shareholders of TSH. Both of them are persons connected to Datuk (Dr.) Kelvin Tan Aik Pen and Tan Aik Kiong. Tan Soon Hong, Ong Yah Ho, Tan Ah Seng, Tan Aik Choon, Tan Ek Huat, Tan Aik Hwa and Chin Chui Fong are shareholders of TSH and persons connected to Datuk (Dr.) Kelvin Tan Aik Pen and Tan Aik Kiong. Tan Aik Choon, Tan Ek Huat and Tan Aik Hwa are also directors of certain TSH subsidiaries.	Purchase of fresh fruit bunches	840,961

This Statement has been reviewed and approved by the Board of Directors on 27 February 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of TSH (“Board”) is pleased to provide the following Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Set out below is the Board’s Statement on Risk Management and Internal Control which outlines the nature and state of internal control of the Group during the year under review, and up to the date of this Annual Report.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the establishment of the Group’s system of internal control as well as periodically reviewing its adequacy and integrity to safeguard shareholders’ investments, customers’ interests and Group assets. However, such a system can only reduce but not eliminate the possibility of poor judgment in decision making, human error, occurrences of unforeseeable events and circumvention of controls by employees. Accordingly, such a system can be expected to provide only reasonable but not absolute assurance against material misstatement, operational failures and fraudulent activities. The concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

RISK MANAGEMENT

Risk management is regarded by the Board as an important aspect of the Group’s operations with the objective of maintaining a sound system of internal control to ensure that the Group’s assets are well protected and shareholders’ value are enhanced.

TSH has established an Enterprise Risk Management framework. The framework provides a structured approach towards identifying, measuring, managing, monitoring and reporting key risks affecting the Group’s business operations. Key risks identified are assessed for their likelihood and impact should the risks materialise. Upon identifying, assessing and prioritising the risks, steps have to be taken to mitigate them. These procedures are subjected to review periodically to cater for process changes and changing risks.

Within the framework, the Board of Directors retains the overall risk management responsibility by performing risk oversight and delegate day-to-day decisions to the Group Managing Director and Senior Management team. Besides, the Group Internal Auditors also independently examine and verify the risk management framework for its completeness and reliability.

INTERNAL CONTROL

The process is periodically reviewed by the Board through the Audit Committee and is guided by the publication – Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control.

The key processes that the Directors have established with regards to the system of internal control are as follows:-

- Organisational structure with defined reporting line.
- Clearly documented standard operating procedures covering key processes are adopted. These established procedures define the level of authorities and lines of responsibilities from operating units up to the Group corporate level to ensure accountabilities for risk management and control activities.
- Corporate policy on zero tolerance pertaining to fraud and criminal breach of trust.
- Comprehensive budgeting and forecasting system is established. Each operating unit submits a budget annually for approval by the Board. The actual results are reported, analysed and monitored against the budget.

Statement on Risk Management and Internal Control

- Comprehensive management and financial information are provided to the Board to facilitate decision making.
- Regular Board and Management meetings to assess performance of key Management staff.
- Regular Board and Management meetings to assess the Group's performance and continually monitor the adequacy and integrity of the internal control framework.
- Group Internal Audit function is established to assist in providing assurance on the effectiveness of the internal control system within the Group. Internal auditors conduct regular visits to review the effectiveness of the control procedures in place and to ensure accurate and timely financial management reporting.
- The Group's internal audit department reports directly to the Audit Committee. Upon conducting reviews on the system of internal control and effectiveness of processes that are in place, internal audit reports are prepared and presented to the Audit Committee on a quarterly basis or earlier, as appropriate.
- The internal audit function adopts a risk-based approach and prepares its audit plan based on the risk profiles of the key business units of the Group after taking into consideration input of Senior Management and the Audit Committee.
- Internal audit department also conducts subsequent follow-up review to ensure Management has dealt with audit recommendations and taken appropriate actions satisfactorily.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have performed limited assurance procedure on the Statement on Risk Management and Internal Control pursuant to the scope set out in Audit Assurance and Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysia Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that causes them to believe the Statement on Risk Management and Internal Control intended to be included in the Annual Report is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is the Statement on Risk Management and Internal Control factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

CONCLUSION

The Board has reviewed the adequacy and effectiveness of the risk management and internal control system through the above activities and is not aware of any significant weaknesses or deficiencies in the Group's risk management and internal control practices for the year under review and to the date of this report. The Board has also obtained assurance from the Group Managing Director and the Chief Financial Officer that the risk management and internal control system is in place and operating effectively.

This Statement on Risk Management and Internal Control does not cover associate and joint ventures where the internal control systems of these companies are managed by the respective management teams.

This Statement has been reviewed and approved by the Board of Directors on 4 April 2019.

AUDIT COMMITTEE REPORT

The Board is pleased to present the following report on the Audit Committee and its activities for the financial year ended 31 December 2018.

AUDIT COMMITTEE COMPOSITION AND MEETINGS

As at the date of this report, the Audit Committee comprises the following Non-Executive Directors, a majority of whom are Independent Directors and is chaired by an Independent Non-Executive Director:

Yap Boon Teck
Chairman, Independent Non-Executive Director
(Member of the Malaysian Institute of Accountants)

Dato' Jasmy bin Ismail
Member, Independent Non-Executive Director

Chew Siew Yeng
Member, Independent Non-Executive Director
(Member of the Malaysian Institute of Accountants)

Lim Fook Hin
Member, Non-Independent Non-Executive Director
(Member of the Malaysian Institute of Certified Public Accountants)

During the financial year, Datuk Jaswant Singh Kler retired as a Director at the conclusion of TSH's 38th Annual General Meeting ("AGM") held on 24 May 2018 and accordingly ceased to be the Chairman of the Audit Committee. Yap Boon Teck took over as the Chairman of the Audit Committee from 24 May 2018 following the retirement of Datuk Jaswant Singh Kler. Concurrently on 24 May 2018, Chew Siew Yeng was also appointed as an additional member of the Audit Committee.

On 15 February 2019, Lim Fook Hin was appointed as an additional member of the Audit Committee.

The Audit Committee met five times during the year to discharge its duties and responsibilities. Attendance of members of the Audit Committee during 2018 is shown in the table below.

Name	27/02/18	04/04/18	23/05/18	23/08/18	29/11/18	Total
Yap Boon Teck	✓	✓	✓	✓	✓	5/5
Dato' Jasmy bin Ismail	✓	✓	✓	✓	✓	5/5
Chew Siew Yeng	-	-	-	✓	✓	2/2
Lim Fook Hin (Present as invitee)	✓	✓	✓	✓	✓	5/5
Datuk Jaswant Singh Kler (Retired on 24 May 2018)	✓	✓	✓	-	-	3/3

During the financial year, the Audit Committee had engaged on a continuous basis with senior management, Head of Internal Audit and the external auditors in order to keep abreast of matters and issues affecting the Group. The

Audit Committee Report

Audit Committee Chairman will report to the Board, matters of significant concern as and when raised by the internal and external auditors and present the Audit Committee's recommendations to the Board for approval. The Company Secretary acts as the secretary to the Audit Committee. Minutes of meeting are distributed electronically to each Board member.

TERMS OF REFERENCE

The Audit Committee is responsible amongst others, to review and monitor the system of internal control and audit process and to ensure that the Company's financial statements comply with applicable financial reporting standards as this is integral to the reliability of financial statements.

The Audit Committee is governed by its terms of reference which will be periodically reviewed and updated. In line with the release of Malaysian Code on Corporate Governance 2017, the Audit Committee has revised its terms of reference on 27 February 2018 to include a policy requiring former key audit partners to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee. The revised terms of reference is made available on the Company's website at www.tsh.com.my.

REVIEW OF THE AUDIT COMMITTEE

An annual assessment and evaluation on the performance and effectiveness of the Audit Committee was undertaken by the Board of Directors through its Nomination Committee for the financial year ended 31 December 2018. The Audit Committee was assessed based on the following 6 key areas and the Board was satisfied that the Audit Committee had carried out its duties and functions in accordance with its terms of reference.

i) Composition and quality
ii) Process and procedures
iii) Communications and information
iv) Oversight of the financial reporting process including internal controls
v) Oversight of audit functions
vi) Financial literary

TRAINING

For the year under review, all members of the Audit Committee had attended various seminars, talk, briefing and/or workshop either collectively or individually, details of which are set out in the CG Report.

SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee discharged its functions and carried out its duties as set out in its terms of reference. Summary of work undertaken by the Audit Committee during the financial year encompassed the following:

1. Financial Reporting and Compliance

During the year, the Audit Committee reviewed the unaudited quarterly financial statements and annual audited consolidated financial statements to ensure compliance with the Malaysian Financial Reporting Standards

("MFRSs"), International Financial Reporting Standards ("IFRSs"), the requirements of the Companies Act 2016 and Paragraph 9.22, including Appendix 9B of the Listing Requirements, focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events and significant adjustments resulting from the audit.

The Audit Committee's recommendations were presented at the respective Board meetings held subsequently for approval.

To safeguard the integrity of financial statements of TSH, the Chief Financial Officer had given assurance to the Audit Committee that:

(a) adequate processes and controls were in place for an effective and efficient financial statement close process;

(b) appropriate accounting policies had been adopted and applied consistently;

(c) the relevant financial statements gave a true and fair view of the state of affairs of the TSH Group;

(d) the going concern basis applied in the annual financial statements and condensed consolidated financial statements was appropriate; and

(e) prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs, IFRSs and Listing Requirements.

2. External Audit

During the year under review, the Audit Committee had 3 meetings and 2 private sessions with Messrs BDO PLT. The private sessions were held without the presence of the Executive Directors, management or internal auditors. The Audit Committee reviewed with Messrs BDO PLT on matters relating to the audit of the statutory accounts, audit report and recommendations made by them in their management letter and the adequacy of management's responses thereto. The Audit Committee also reviewed the non-audit services provided by Messrs BDO PLT and the aggregate amount of fees paid to them taking into consideration of the process and requirements including fee threshold established under the policy and was satisfied that they were not likely to create any conflicts of interest nor impair the independence and objectivity of the external auditors. As acknowledged by the external auditors, the Audit Committee was satisfied with the cooperation extended by management during the course of audit.

In the private sessions held with Messrs BDO PLT, the Audit Committee discussed the audit findings and other observations the external auditors may have during their audit process. There were no major concerns raised by the external auditors at the meetings.

In April 2018, the Audit Committee evaluated the performance of the external auditors based on 4 key areas, namely quality of service, sufficiency of resources, communication with management and independence, objectivity and professionalism. The Audit Committee assessed the performance of the lead engagement partner and his engagement team based on the private sessions held between the Audit Committee and the external auditors. The Audit Committee had also invited management to join the assessment as they had substantial contact with the external audit team throughout the year. Being satisfied with the external auditors' performance, technical competency, audit independence, adequacy of experience and resources of the firm as well as active engagement during the audit process, the Audit Committee recommended to the Board for approval of the re-appointment of Messrs BDO PLT as external auditors of the Company for the financial year ended 31 December 2018.

Audit Committee Report

At the last AGM held on 24 May 2018, the shareholders had approved the re-appointment of Messrs BDO PLT as auditors of the Company.

In November 2018, the Audit Committee reviewed the 2018 audit planning memorandum prepared by Messrs BDO PLT outlining their scope of work, approach which includes the procedures to be performed by the external auditors during their annual visits to the Group's estates/mills/power plants in Sabah, deliverables and proposed fees for the statutory audit and non-statutory audit. The Audit Committee had also reviewed and discussed the key audit matters ("KAMs"), details are reflected in the financial statements of this Annual Report.

The external auditors had provided written confirmations of their independence to the Audit Committee that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

In April 2019, similar evaluation on the performance of Messrs BDO PLT had been carried out and the Audit Committee recommended the re-appointment of Messrs BDO PLT as external auditors of the Company for the financial year ending 31 December 2019.

The Audit Committee shall continue to review KAMs raised by the external auditors as part of its focus areas for 2019 in addition to its routine business.

3. Internal Audit

The Audit Committee reviewed and approved the annual audit plan for 2018 having regard to the adequacy of scope and coverage of the activities of the Group. The internal audit team conducted the audit activities based on the audit plan approved by the Audit Committee.

The Head of Internal Audit attended the Audit Committee meetings and presented on inter-alia, summaries of the audit reports issued, audit recommendations provided by the internal auditors and management's response thereto and corrective actions taken by management on audit issues raised by the internal auditors.

The Audit Committee also reviewed the effectiveness and competence of the internal audit function and was generally satisfied with the performance of the internal audit function.

4. Recurrent Related Party Transactions

All recurrent related party transactions entered into by the Group were reviewed by the Audit Committee to ensure that they were conducted on an arm's length commercial term and rate. Reporting system and procedures were also reviewed to ascertain that the established guidelines and procedures have been complied with.

5. Other Matters

The Audit Committee reviewed and evaluated the questionnaires completed by the Chief Financial Officer on information relating to risk and control environment of the Group. With the assistance of the internal audit department which reports directly to the Audit Committee, the Audit Committee completed its review of the adequacy and effectiveness of the Group's systems of internal control and reported its findings and recommendations to the Board. The Audit Committee was satisfied that controls in place are adequate and functioning properly to address the risks. The Audit Committee was also satisfied with the assurance provided by the Head of Internal Audit that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

The Audit Committee also reviewed the final dividend proposed by management to ensure consistency with the Company's long term dividend payout policy, taking into account the Company's profits, cash flow and capital investment requirements before recommending the same to the Board for approval.

The Statement on Risk Management and Internal Control and the Audit Committee Report for inclusion in this Annual Report were reviewed by the Audit Committee prior to Board's approval.

INTERNAL AUDIT FUNCTION

The Company established an Internal Audit Department in July 2001 which reports directly to the Audit Committee on a quarterly basis. The Internal Audit Department assists the Audit Committee in the discharge of its duties and responsibilities. Its key role is to provide independent and objective assurance designed to add value and assist the Group in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The internal audit activities, all of which are risk-based were established after taken into consideration of the key business units of the Group and input from senior management and the Audit Committee members.

Every quarter, the Internal Audit Department submits a report on their audit findings and recommendations to the Audit Committee for its review and deliberation. The Head of Internal Audit attends these meetings to present the internal audit findings and makes appropriate recommendations on areas of concern within the Company and the Group.

For the year under review, the activities undertaken by internal audit are as follows:

1. Developed an annual audit plan using a risk-based approach, taking into consideration of the key business units of the Group and input from senior management and the Audit Committee members.

2. Provided independent assessment and objective assurance over the adequacy and effectiveness of risk management and internal control processes via structured reviews of units and operations identified in the annual audit plan.

3. Provided independent and objective reviews of the adequacy and relevance of internal controls enforced to mitigate the risk exposures.

4. Ascertained the level of compliance with established policies and procedures of the Company.

5. Recommended improvements and enhancements to the existing system of internal controls and work procedures/ processes.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Board of Directors is required under Paragraph 15.26(a) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements") to issue a statement on its responsibility in the preparation of the annual audited financial statements.

The Directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for the financial year which give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

In preparing the financial statements, the Directors have:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgements and estimates that are reasonable and prudent; and
- prepared the annual audited financial statements in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provision of the Act and the Listing Requirements.

The Directors are responsible for ensuring that the Company and its subsidiaries keep accounting records which disclose with reasonable accuracy at any time the financial position of each company and which enable them to ensure that the financial statements comply with the provisions of the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

2018 FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, oil palm cultivation and forest plantation. The principal activities of the subsidiaries are stated in Note 22 to the financial statements and are primarily involved in oil palm cultivation and processing. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year	51,924	(23,989)
Attributable to:		
Owners of the Company	40,462	(23,989)
Non-controlling interests	11,462	-
	51,924	(23,989)

DIVIDENDS

Dividends paid, declared or proposed by the Company since the end of the previous financial year were as follows:

	Company RM'000
In respect of the financial year ended 31 December 2017	
First and final single tier dividend of 2.0 sen per ordinary share, paid on 20 June 2018	27,636

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2018 of 1.0 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

Directors' Report

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

As at 31 December 2018, the Company had 4,000 ordinary shares held as treasury shares with a carrying amount of RM8,607. The details of treasury shares are disclosed in Note 33 to the financial statements.

The Company did not make any purchase of its own shares during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

<u>TSH Resources Berhad</u>

Tan Aik Pen	
Tan Aik Sim	
Dato' Jasmy Bin Ismail	
Selina Binti Yeop Junior @ Lope	
Yap Boon Teck	
Tan Aik Kiong	
Chew Siew Yeng	
Tan Aik Yong	
Lim Fook Hin	
Natasha Binti Mohd Zulkifli	(appointed on 2 July 2018)
Datuk Jaswant Singh Kler	(retired on 24 May 2018)

<u>Subsidiaries of TSH Resources Berhad</u>

Pursuant to Section 253(2) of the Companies Act 2016, the Directors of the subsidiaries of TSH Resources Berhad during the financial year and up to the date of this report are as follows:

Tan Soon Hong	(retired on 24 May 2018)
Tan Aik Pen	
Tan Aik Sim	
Datuk Jaswant Singh Kler	
Lim Fook Hin	
Tan Aik Kiong	
Tan Aik Yong	
Tan Ek Huat	
Tan Aik Hwa	
Tan Aik Choon	
Asgari Bin Tun Mohd Fuad Stephens	
Bedi Bin Maikas	

DIRECTORS (continued)

Subsidiaries of TSH Resources Berhad (continued)

Pursuant to Section 253(2) of the Companies Act 2016, the Directors of the subsidiaries of TSH Resources Berhad during the financial year and up to the date of this report are as follows (continued):

Chen Chu Chai @ Anthony Tsen Sui Lin	
Lemoi Binti Masilim	
Lok Huey Ming	
Datuk Dr. Abdul Razak Bin Mohd Ali	
Mapiati Bin Sullit	
Jeriol @ Douglas Joinol	
Raden Harry Zulnardy	
Karsidi	
Faudzi Bin Ahmad	
Iban Bragado Lafuente	
Michael Wong Chung Hau	
Michelle L. Brantley	
Fiona Lane	
Renatha Philoé	
Darwin Arriega	
Haji Abdul Wahab	
Ke Jek Tiang	
Ferly Versady	
Mudappathi Sugunan Nair	
Peter Dodoo	
Wong Twee Jong	
Wan Nor Azmi Bin Mat Esa	
Ahmad Kamal Bin Abd Hamid	(appointed on 14 November 2018)
Tan Sze Lian Celine	(appointed on 31 August 2018)
Paul Lim Joo Heng	(appointed on 27 June 2018)
Chia Ah Theng	(resigned on 14 November 2018)
Cheong Hock Huat Andy	(resigned on 31 August 2018)
Johari Imran Lok	(resigned on 10 July 2018)
Toh Su Yin Adeline	(resigned on 27 June 2018)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2018	**Acquired**	**Disposed**	**Balance as at 31.12.2018**
Shares in the Company				
Direct interests:				
Tan Aik Pen	168,701,517	305,000	-	169,006,517
Tan Aik Sim	53,280,664	23,000	-	53,303,664
Tan Aik Kiong	55,296,895	79,800	-	55,376,695
Tan Aik Yong	53,829,817	75,000	-	53,904,817
Lim Fook Hin	1,602,000	-	-	1,602,000
Indirect interests:				
Tan Aik Kiong	27,125	-	-	27,125
Lim Fook Hin	4,500,000	-	-	4,500,000
Chew Siew Yeng	210,000	-	-	210,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than deemed benefits arising from related party transactions as disclosed in Note 41 to the financial statements.

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

Directors' Report

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 14 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Group and the Company did not effect any Directors' and officers' liability insurance during the financial year. There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of 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 other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render 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 material extent;

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

(iii) 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) In the opinion of the Directors:

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

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

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

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 43 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2018 are disclosed in Note 12 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

Tan Aik Sim
Director

Tan Aik Yong
Director

Kuala Lumpur
4 April 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 86 to 210 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Tan Aik Sim Director	**Tan Aik Yong** Director

Kuala Lumpur
4 April 2019

STATUTORY DECLARATION

I, Michael Wong Chung Hau (CA 10383), being the officer primarily responsible for the financial management of TSH Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 86 to 210 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly	)	
declared by the abovenamed at	)	
Kuala Lumpur, this	)	
4 April 2019	)	**Michael Wong Chung Hau**

Before me:

PESURUHJAYA SUMPAH
W 465
KAPT (B) JASNI BIN
YUSOFF
1 JAN 2019 - 31 DIS 2021
MALAYSIA

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019 6680745

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TSH RESOURCES BERHAD (INCORPORATED IN MALAYSIA)

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements of TSH Resources Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 86 to 210.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* 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. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a. Adoption of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards and Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)

The Group has applied the MFRS framework for the financial year ended 31 December 2018 and this has resulted in the preparation of opening MFRS statements of financial position as at 1 January 2017, which adjusts for differences between the classification and measurement bases in the existing Financial Reporting Standards ("FRSs") framework versus that in the new MFRS framework. The effects on adoption of the MFRS framework and the restatement of comparatives are disclosed in Note 42 to the financial statements.

Upon transition to MFRS, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be zero at the date of transition. In addition, the Group has elected to apply the optional exemption to measure certain property, plant and equipment, i.e. leasehold land and bearer plants that were previously recorded at the fair values at the date of the revaluation and use that fair values as deemed costs.

Independent Auditors' Report

To The Members of TSH Resources Berhad (Incorporated In Malaysia) (continued)

Key Audit Matters (continued)

a. Adoption of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards and Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141) (continued)

With the adoption of the Amendments to MFRS 116 and MFRS 141, the new planting expenditure and replanting expenditure that meet the definition of bearer plants, are within the scope of MFRS 116 and are measured at cost less accumulated depreciation and any accumulated impairment losses. The fresh fruit bunches ("FFB"), which are the produces that grow on bearer plants, are within the scope of MFRS 141 and are measured at fair value less costs to sell.

We determined this to be a key audit matter as the adoption of MFRS 1 and Amendments to MFRS 116 and MFRS 141 has resulted in material adjustments being made to certain account balances, including the restatement of comparatives.

Audit response

Our audit procedures included the following:

(i) with respect to bearer plants, obtained an understanding of management's identification of the costs of bearer plants that can be capitalised and verified the accuracy of these costs of bearer plants;

(ii) with respect to agricultural produces i.e. FFB, obtained an understanding of management's fair value measurement methodologies used to measure the fair value of the FFB prior to harvest and assessed the reasonableness of the significant assumptions used in the valuation;

(iii) assessed whether the adjustments to the respective account balances and restatements have been made in accordance with the requirements set out in the MFRS 1 and Amendments to MFRS 116 and MFRS 141; and

(iv) assessed the adequacy of the disclosures related to the adoption of MFRS 1 and Amendments to MFRS 116 and MFRS 141.

b. Impairment of trade receivables and plasma receivables

As at 31 December 2018, the Group had trade receivables and plasma receivables amounted to RM25,127,000 and RM44,264,000 respectively, which were net of impairment losses of RM9,459,000 and RM9,583,000 respectively. The details of trade receivables and plasma receivables and their credit risks have been disclosed in Note 26(a) and Note 26(b)(ii) to the financial statements respectively.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and plasma receivables, appropriate forward looking information i.e. Gross Domestic Product (GDP) and crude palm oil prices, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.

Key Audit Matters (continued)

b. Impairment of trade receivables and plasma receivables (continued)

Audit response

Our audit procedures, with the involvement of the component auditors, included the following:

<u>Impairment assessment of trade receivables</u>

(i) recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;

(ii) recomputed the correlation coefficient between the macroeconomic indicators set by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group; and

(iii) inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

<u>Impairment assessment of plasma receivables</u>

(i) challenged assessments performed by management and assessed adequacy of expected credit losses based on expected cash flows recoverable from plasma receivables, which were derived from expectation of repayment patterns from plasma receivables, either through funding from banks and/or cash flows through sales of fresh fruit bunches;

(ii) assessed and challenged reasonableness of discount rate used in calculating the present value of non-current plasma receivables over their expected repayment periods;

(iii) recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;

(iv) assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages; and

(v) challenged management on the basis for determining cash flows recoverable in worst-case scenarios, where applicable.

c. Impairment of amounts due from subsidiaries

As at 31 December 2018, amounts due from subsidiaries of the Company were RM982,913,000, which were net of impairment losses of RM22,253,000 as disclosed in Note 26 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by subsidiaries, appropriate forward looking information, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.

Independent Auditors' Report

To The Members of TSH Resources Berhad (Incorporated In Malaysia) (continued)

Key Audit Matters (continued)

c. Impairment of amounts due from subsidiaries (continued)

Audit response

Our audit procedures included the following:

(i) recomputed probability of default using historical data and forward looking adjustment applied by the Company;

(ii) assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages;

(iii) challenged management on the basis for determining cash flows recoverable in worst case scenarios, where applicable; and

(iv) assessed actual loss events subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management.

d. Impairment assessment of the carrying amount of investments in subsidiaries

As stated in Note 22(b) to the financial statements, certain subsidiaries are loss making and the carrying amount of investments in these subsidiaries was RM202,029,000 as at 31 December 2018, which was net of impairment losses of RM8,942,000. As these subsidiaries are loss making, an impairment indicator arose and the management has performed impairment assessments on these subsidiaries.

We determined this to be a key audit matter because it requires management to exercise significant judgement and estimates about the future results and key assumptions applied to cash flow projections of the subsidiaries. In this instance, the recoverable amount is based on value-in-use. These key assumptions include forecast growth in future revenue and budgeted gross profit margins, growth rates, terminal values as well as determining an appropriate pre-tax discount rate used for each subsidiary.

Audit response

Our audit procedures included the following:

(i) challenged assessment of management that no further impairment losses on investments was required based on recoverable amounts of the subsidiaries;

(ii) compared cash flow projections against recent performance and assessed and challenged the key assumptions used in the projections by comparing to actual gross profit margins and growth rates;

(iii) compared prior period projections to actual outcomes to assess reliability of management forecasting process;

(iv) verified budgeted gross profit margins, growth rates and terminal values by assessing evidence available to support these key assumptions;

Key Audit Matters (continued)

d. Impairment assessment of the carrying amount of investments in subsidiaries (continued)

Audit response (continued)

Our audit procedures included the following (continued):

(v) verified pre-tax discount rate used for each subsidiary by comparing to weighted average cost of capital of the Group and relevant risk factors; and

(vi) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

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 MFRSs, IFRSs 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 ability of the Group and of the Company 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.

Independent Auditors' Report

To The Members of TSH Resources Berhad (Incorporated In Malaysia) (continued)

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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

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

Independent Auditors' Report

To The Members of TSH Resources Berhad (Incorporated In Malaysia) (continued)

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 22 to the financial statements.

Other Matters

As stated in Note 3 to the financial statements, TSH Resources Berhad adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These Standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2017 and 1 January 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2018 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as of 31 December 2018 and financial performance and cash flows for the financial year then ended.

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.

BDO PLT

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Tang Seng Choon
02011/12/2019 J
Chartered Accountant

Kuala Lumpur
4 April 2019

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	6	906,441	1,073,507	92,707	104,462
Cost of sales	7	(619,941)	(711,475)	(4,620)	(4,810)
Gross profit		286,500	362,032	88,087	99,652
Other items of income					
Interest income	8	8,184	14,326	54,862	53,380
Dividend income	9	169	4,489	169	169
Other income	10	29,256	53,463	5,247	8,539
Other items of expenses					
Marketing and distribution costs		(33,712)	(41,280)	-	-
Administrative expenses		(134,699)	(150,854)	(51,255)	(49,047)
Finance costs	11	(44,036)	(41,773)	(63,720)	(68,078)
Other expenses		(37,249)	(42,277)	(64,014)	(122,160)
Share of profit of associate, net of tax		2,235	7,680	-	-
Share of profit of joint ventures, net of tax		5,015	7,432	-	-
Profit/(Loss) before tax	12	81,663	173,238	(30,624)	(77,545)
Taxation	15	(29,739)	(51,803)	6,635	496
Profit/(Loss) for the financial year		51,924	121,435	(23,989)	(77,049)
Other comprehensive (loss)/income:					
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translations	15(d)	(58,492)	(187,779)	-	-
Item that may not be reclassified subsequently to profit or loss:					
Remeasurements of net defined benefit liabilities	15(d)	870	(1,902)	-	-
Other comprehensive loss for the financial year, net of tax		(57,622)	(189,681)	-	-
Total comprehensive loss for the financial year		(5,698)	(68,246)	(23,989)	(77,049)

Statements of Comprehensive Income
For The Financial Year Ended 31 December 2018 (continued)

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to:					
Owners of the Company		40,462	97,327	(23,989)	(77,049)
Non-controlling interests		11,462	24,108	-	-
		51,924	121,435	(23,989)	(77,049)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(13,150)	(86,244)	(23,989)	(77,049)
Non-controlling interests		7,452	17,998	-	-
		(5,698)	(68,246)	(23,989)	(77,049)
Earnings per share attributable to owners of the Company (sen per share):					
Basic	16	2.93	7.13		
Diluted	16	2.93	7.13		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		
		31.12.2018	31.12.2017	1.1.2017
	Note	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	18	1,937,077	1,916,641	2,003,370
Biological assets	19	400,571	390,562	385,563
Land use rights	20	182,511	181,799	201,562
Intangible assets	21	56,172	57,252	61,057
Investment in an associate	23	79,588	80,505	77,053
Investments in joint ventures	24	69,181	73,166	75,734
Deferred tax assets	25	14,606	19,304	18,543
Other receivables	26	79,081	80,157	72,899
Investment securities	27	50	50	5,064
		2,818,837	2,799,436	2,900,845
Current assets				
Biological assets	19	5,086	7,825	7,290
Inventories	28	200,008	211,537	237,589
Trade and other receivables	26	52,417	83,587	128,595
Other current assets	29	21,113	18,386	27,456
Tax recoverable		11,175	3,976	15,923
Investment securities	27	8	27	19
Derivative assets	31	799	5,424	836
Short term funds		-	-	144
Cash and bank balances	32	108,003	139,280	131,202
		398,609	470,042	549,054
TOTAL ASSETS		3,217,446	3,269,478	3,449,899
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	33	740,512	740,512	672,706
Share premium		-	-	1,301
Treasury shares	33	(8)	(8)	(8)
Other reserves	34	(227,583)	(173,101)	12,037
Retained earnings	35	860,195	846,499	768,589
		1,373,116	1,413,902	1,454,625
Non-controlling interests		131,517	125,045	154,082
TOTAL EQUITY		1,504,633	1,538,947	1,608,707

Statements of Financial Position

As At 31 December 2018 (continued)

		Group		
		31.12.2018	**31.12.2017**	**1.1.2017**
	Note	**RM'000**	**RM'000**	**RM'000**
LIABILITIES				
Non-current liabilities				
Loans and borrowings	36	792,637	793,434	866,784
Retirement benefits	37	16,084	15,636	14,582
Hire purchase payables	39	99	128	-
Deferred tax liabilities	25	138,202	150,779	151,258
		947,022	959,977	1,032,624
Current liabilities				
Loans and borrowings	36	663,118	649,090	663,425
Trade and other payables	38	99,088	107,590	123,010
Hire purchase payables	39	30	29	41
Derivative liabilities	31	689	124	10,243
Current tax payable		2,866	13,721	11,849
		765,791	770,554	808,568
TOTAL LIABILITIES		1,712,813	1,730,531	1,841,192
TOTAL EQUITY AND LIABILITIES		3,217,446	3,269,478	3,449,899

Statements of Financial Position

As At 31 December 2018 (continued)

	Note	31.12.2018 RM'000	Company 31.12.2017 RM'000	1.1.2017 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	18	122,239	125,644	126,927
Biological assets	19	325,503	336,059	338,000
Investments in subsidiaries	22	895,924	887,027	443,277
Investment in an associate	23	61,259	61,259	61,259
Investments in joint ventures	24	20,750	20,750	20,750
Other receivables	26	862,550	890,981	978,500
Investment securities	27	50	50	50
		2,288,275	2,321,770	1,968,763
Current assets				
Biological assets	19	82	222	307
Inventories	28	3,066	1,706	1,673
Trade and other receivables	26	124,087	82,593	610,314
Other current assets	29	27	25	39
Tax recoverable		18	18	648
Investment securities	27	8	27	19
Derivative assets	31	-	45	-
Short term funds		-	-	144
Cash and bank balances	32	36,734	41,231	83,451
		164,022	125,867	696,595
TOTAL ASSETS		2,452,297	2,447,637	2,665,358
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	33	740,512	740,512	672,706
Share premium		-	-	1,301
Treasury shares	33	(8)	(8)	(8)
Other reserves	34	-	-	3,444
Retained earnings	35	249,350	300,975	405,160
TOTAL EQUITY		989,854	1,041,479	1,082,603

Statements of Financial Position
As At 31 December 2018 (continued)

		Company		
		31.12.2018	**31.12.2017**	**1.1.2017**
	Note	**RM'000**	**RM'000**	**RM'000**
LIABILITIES				
Non-current liabilities				
Loans and borrowings	36	362,637	358,434	391,784
Other payables	38	425,859	420,177	523,732
Deferred tax liabilities	25	24,058	30,693	33,137
		812,554	809,304	948,653
Current liabilities				
Loans and borrowings	36	467,814	381,152	401,048
Trade and other payables	38	182,075	215,702	232,906
Derivative liabilities	31	-	-	148
		649,889	596,854	634,102
TOTAL LIABILITIES		1,462,443	1,406,158	1,582,755
TOTAL EQUITY AND LIABILITIES		2,452,297	2,447,637	2,665,358

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2018	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Other reserves, total RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Share of associate reserve RM'000	Non-controlling interests RM'000
			Attributable to owners of the Company								
			Non-distributable			Distributable	Non-distributable				
Group											
Balance as at 1 January 2018		1,538,947	1,413,902	740,512	(8)	846,499	(173,101)	9,630	(182,830)	99	125,045
Profit for the financial year		51,924	40,462	-	-	40,462	-	-	-	-	11,462
Other comprehensive (loss)/income											
Foreign currency translations		(58,492)	(54,482)	-	-	-	(54,482)	-	(54,482)	-	(4,010)
Remeasurements of net defined benefit liabilities	37	870	870	-	-	870	-	-	-	-	-
Other comprehensive (loss)/ income for the financial year, net of tax		(57,622)	(53,612)	-	-	870	(54,482)	-	(54,482)	-	(4,010)
Total comprehensive (loss)/ income for the financial year		(5,698)	(13,150)	-	-	41,332	(54,482)	-	(54,482)	-	7,452
Transactions with owners											
Dividends paid on ordinary shares	17	(27,636)	(27,636)	-	-	(27,636)	-	-	-	-	-
Dividend paid to non-controlling interests		(980)	-	-	-	-	-	-	-	-	(980)
Total transactions with owners		(28,616)	(27,636)	-	-	(27,636)	-	-	-	-	(980)
Balance as at 31 December 2018		1,504,633	1,373,116	740,512	(8)	860,195	(227,583)	9,630	(237,312)	99	131,517

Statements of Changes in Equity

For The Financial Year Ended 31 December 2018 (continued)

		Attributable to owners of the Company										
		Non-distributable					Distributable	Non-distributable				
2017	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Other reserves, total RM'000	Asset revaluation and capital reserve RM'000	Foreign currency translation reserve RM'000	Share of associate reserve RM'000	Non-controlling interests RM'000
Group												
Balance as at 1 January 2017, as previously reported		1,663,428	1,506,984	672,706	1,301	(8)	569,437	263,548	124,827	138,490	231	156,444
Effects of adoption of MFRSs and Amendments to MFRSs:	42											
- MFRS 1		56,426	56,426	-	-	-	294,666	(238,240)	(111,753)	(126,487)	-	-
- Amendments to MFRS 116 and MFRS 141		(108,421)	(106,124)	-	-	-	(92,853)	(13,271)	-	(13,164)	(107)	(2,297)
- MFRS 9		(2,726)	(2,661)	-	-	-	(2,661)	-	-	-	-	(65)
- MFRS 15		-	-	-	-	-	-	-	-	-	-	-
As restated		1,608,707	1,454,625	672,706	1,301	(8)	768,589	12,037	13,074	(1,161)	124	154,082
Profit for the financial year		121,435	97,327	-	-	-	97,327	-	-	-	-	24,108
Other comprehensive loss												
Foreign currency translations		(187,779)	(181,669)	-	-	-	-	(181,669)	-	(181,669)	-	(6,110)
Remeasurements of net defined benefit liabilities	37	(1,902)	(1,902)	-	-	-	(1,902)	-	-	-	-	-
Other comprehensive loss for the financial year, net of tax		(189,681)	(183,571)	-	-	-	(1,902)	(181,669)	-	(181,669)	-	(6,110)
Total comprehensive loss for the financial year		(68,246)	(86,244)	-	-	-	95,425	(181,669)	-	(181,669)	-	17,998

Statements of Changes in Equity

For The Financial Year Ended 31 December 2018 (continued)

		Attributable to owners of the Company										
		Non-distributable					Distributable	Non-distributable				
2017	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Other reserves, total RM'000	Asset revaluation and capital reserve RM'000	Foreign currency translation reserve RM'000	Share of associate reserve RM'000	Non-controlling interests RM'000
Group												
Transactions with owners												
Issuance of ordinary shares for privatisation undertaken, net of expenses	33	(35)	31,455	21,834	-	-	9,621	-	-	-	-	(31,490)
Issuance of ordinary shares for private placement, net of expenses	33	41,227	41,227	41,227	-	-	-	-	-	-	-	-
Dividends paid on ordinary shares	17	(27,136)	(27,136)	-	-	-	(27,136)	-	-	-	-	-
Dividend paid to non-controlling interests		(15,545)	-	-	-	-	-	-	-	-	-	(15,545)
Exercise of equity-settled share options by an associate	34	(25)	(25)	-	-	-	-	(25)	-	-	(25)	-
Total transactions with owners		(1,514)	45,521	63,061	-	-	(17,515)	(25)	-	-	(25)	(47,035)
Transfer pursuant to Companies Act 2016	33	-	-	4,745	(1,301)	-	-	(3,444)	(3,444)	-	-	-
Balance as at 31 December 2017		1,538,947	1,413,902	740,512	-	(8)	846,499	(173,101)	9,630	(182,830)	99	125,045

Statements of Changes in Equity
For The Financial Year Ended 31 December 2018 (continued)

			← Non-distributable	→	Distributable
		Equity, total	Share capital	Treasury shares	Retained earnings
2018	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Company					
Balance as at 1 January 2018		1,041,479	740,512	(8)	300,975
Loss for the financial year		(23,989)	-	-	(23,989)
Other comprehensive income for the financial year, net of tax		-	-	-	-
Total comprehensive loss for the financial year		(23,989)	-	-	(23,989)
Transactions with owners					
Dividends paid on ordinary shares	17	(27,636)	-	-	(27,636)
Total transactions with owners		(27,636)	-	-	(27,636)
Balance as at 31 December 2018		989,854	740,512	(8)	249,350

Statements of Changes in Equity
For The Financial Year Ended 31 December 2018 (continued)

		← Non-distributable			→	Distributable	← Non-distributable		→
2017	**Note**	**Equity, total RM'000**	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Other reserves, total RM'000**	**Asset revaluation reserve RM'000**	**Capital reserve RM'000**
Company									
Balance as at 1 January 2017, as previously reported		1,072,671	672,706	1,301	(8)	366,910	31,762	28,318	3,444
Effects of adoption of MFRSs and Amendments to MFRSs:	42								
- MFRS 1		56,426	-	-	-	84,744	(28,318)	(28,318)	-
- Amendments to MFRS 116 and MFRS 141		(27,482)	-	-	-	(27,482)	-	-	-
- MFRS 9		(19,012)	-	-	-	(19,012)	-	-	-
- MFRS 15		-	-	-	-	-	-	-	-
As restated		1,082,603	672,706	1,301	(8)	405,160	3,444	-	3,444
Loss for the financial year		(77,049)	-	-	-	(77,049)	-	-	-
Other comprehensive income for the financial year, net of tax		-	-	-	-	-	-	-	-
Total comprehensive loss for the financial year		(77,049)	-	-	-	(77,049)	-	-	-
Transactions with owners									
Issuance of ordinary shares for privatisation undertaken, net of expenses	33	21,834	21,834	-	-	-	-	-	-
Issuance of ordinary shares for private placement, net of expenses	33	41,227	41,227	-	-	-	-	-	-
Dividends paid on ordinary shares	17	(27,136)	-	-	-	(27,136)	-	-	-
Total transactions with owners		35,925	63,061	-	-	(27,136)	-	-	-
Transfer pursuant to Companies Act 2016	33	-	4,745	(1,301)	-	-	(3,444)	-	(3,444)
Balance as at 31 December 2017		1,041,479	740,512	-	(8)	300,975	-	-	-

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		81,663	173,238	(30,624)	(77,545)
Adjustments for:					
Amortisation of biological assets	19	1,181	1,181	1,181	1,181
Amortisation of land use rights	20	6,449	6,633	-	-
Bad debts written off		199	2	11	-
Depreciation of property, plant and equipment		73,683	70,885	5,496	5,865
Dividend income	9	(169)	(4,489)	(169)	(169)
Fair value gain on forward currency contracts		(311)	(1,492)	-	-
Fair value loss on investment securities		19	-	19	-
Fair value loss/(gain) on commodity future contracts		5,501	(13,215)	45	(193)
Gain on disposal of unquoted investment		-	(3,595)	-	-
(Gain)/Loss from fair value adjustment of forest planting expenditure	19	(4,562)	4,310	12,917	7,828
(Gain)/Loss on disposal of property, plant and equipment		(644)	128	(30)	(182)
Gain on remeasurement of financial guarantee contracts		(28)	(22)	(476)	(464)
Impairment losses on:					
- cost of investments in subsidiaries	22(b)	-	-	89	7,617
- property, plant and equipment	18	39	-	-	-
- trade receivables	26(a)	277	1,675	-	-
- other receivables	26(b)	2,223	1,291	8	-
- amounts due from subsidiaries	26(c)	-	-	3,859	712
Interest expense	11	44,036	41,773	63,720	68,078
Interest income	8	(8,184)	(14,326)	(54,862)	(53,380)
Inventories written back	28	(184)	(195)	-	-
Inventories written down	28	45	4,108	-	-
Inventories written off	28	2,034	-	144	-
Net loss/(gain) from fair value adjustment of fresh fruit bunches	19	2,709	(349)	140	85

Statements of Cash Flows

For The Financial Year Ended 31 December 2018 (continued)

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Net loss on redemption of short-term funds		100	51	100	51
Net unrealised foreign exchange (gain)/ loss		(6,184)	(23,279)	22,791	91,938
Property, plant and equipment written off	18	575	6,056	349	76
Share of profit of associate		(2,235)	(7,680)	-	-
Share of profit of joint ventures		(5,015)	(7,432)	-	-
Waiver of debts owing by subsidiaries		-	-	185	153
Waiver of debts owing to subsidiaries		-	-	(273)	(970)
Write back of impairment losses on:					
- investment securities		-	(8)	-	(8)
- property, plant and equipment	18	-	(72)	-	-
- trade receivables	26(a)	(789)	(1,953)	-	-
- other receivables	26(b)	(1,927)	(2,116)	-	(5)
- amounts due from subsidiaries	26(c)	-	-	(60)	(4,778)
Total adjustments		108,838	57,870	55,184	123,435
Operating cash flows before changes in working capital		190,501	231,108	24,560	45,890
Changes in working capital					
Decrease/(Increase) in inventories		7,400	13,463	(1,504)	(33)
Decrease/(Increase) in receivables		29,769	48,961	(34,490)	497,442
Decrease in payables		(6,693)	(10,014)	(27,195)	(119,165)
Increase in retirement benefits obligations		1,828	895	-	-
Total changes in working capital		32,304	53,305	(63,189)	378,244
Cash flows from/(used in) operations		222,805	284,413	(38,629)	424,134
Interest paid		-	-	(29,174)	(37,611)
Income tax paid		(49,968)	(48,991)	-	(1,318)
Income tax refunded		68	11,619	-	-
Net cash flows from/(used in) operating activities		172,905	247,041	(67,803)	385,205

Statements of Cash Flows

For The Financial Year Ended 31 December 2018 (continued)

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Additional investments in subsidiaries	22	-	-	(5,166)	(422,465)
Dividends received from:					
- associate	23(d)	3,152	4,203	-	-
- joint ventures	24(c)	9,000	10,000	-	-
- short term investments	9	169	4,489	169	169
Forest planting expenditure		(6,196)	(9,848)	(3,291)	(6,605)
Interest received	8	8,184	14,326	54,862	53,380
Placements of deposits with maturity of over 3 months		(1,506)	(972)	(2,917)	-
Withdrawals/(Placements) of pledged deposits		1,355	(3,704)	-	-
Proceeds from disposal of unquoted investment		-	8,609	-	-
Proceeds from disposal of property, plant and equipment		1,022	2,747	38	414
Purchase of land use rights	20	(2,475)	(635)	-	-
Purchase of property, plant and equipment		(144,925)	(156,900)	(2,699)	(5,353)
Redemption of non-cumulative redeemable convertible preference shares	22	-	-	1,820	-
(Placements)/Redemption of short-term funds		(100)	93	(100)	93
Net cash flows (used in)/from investing activities		(132,320)	(127,592)	42,716	(380,367)

Statements of Cash Flows

For The Financial Year Ended 31 December 2018 (continued)

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	17	(27,636)	(27,136)	(27,636)	(27,136)
Dividends paid to non-controlling interests		(980)	(15,545)	-	-
Interest paid		(44,036)	(41,773)	(34,546)	(30,467)
Net repayments of bankers' acceptances		(14,291)	(12,976)	-	-
Net drawdowns/(repayments) of foreign currency import loan		28	(277)	-	-
Net drawdowns/(repayments) of revolving credits		82,802	(17,230)	82,803	(1,031)
Net repayments of Sukuk Musyarakah Medium Term Notes		(50,000)	-	-	-
Net repayments of term loans		(12,503)	(31,590)	(2,503)	(26,590)
Net repayments of hire purchase payables		(28)	(60)	-	-
Proceeds from issuance of ordinary shares, net of expenses		-	41,192	-	41,192
Net cash flows (used in)/from financing activities		(66,644)	(105,395)	18,118	(44,032)
Net (decrease)/increase in cash and cash equivalents		(26,059)	14,054	(6,969)	(39,194)
Effects of exchange rate changes		(2,002)	(10,661)	(445)	(3,026)
Cash and cash equivalents as at beginning of financial year		127,904	124,511	41,231	83,451
Cash and cash equivalents as at end of financial year	32	99,843	127,904	33,817	41,231

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

TSH Resources Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 10, Menara TSH, No. 8 Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at Bangunan TSH, TB 9, KM 7, Apas Road, 91000 Tawau, Sabah.

The consolidated financial statements for the financial year ended 31 December 2018 comprise the Company and its subsidiaries and the interests of the Group in an associate and joint ventures. These financial statements are presented in Ringgit Malaysia ("RM"), which is also functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 4 April 2019.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, oil palm cultivation and forest plantation. The principal activities of the subsidiaries are stated in Note 22 to the financial statements and are primarily involved in oil palm cultivation and processing. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

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

These are the first financial statements of the Group and of the Company prepared in accordance with MFRSs and IFRSs and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia.

The Group and the Company have consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been effect. Comparative figures for the financial year ended 31 December 2017 in these financial statements have been restated to give effect to these changes and Note 42 to the financial statements discloses the new MFRSs, amendments to MFRSs adopted during the financial year, the impact of the transition to MFRSs and prior year restatements on the Group's and Company's reported financial position and financial performance for the financial year then ended.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

3. BASIS OF PREPARATION (continued)

The Group has positive cash flows from its business activities and sufficient credit facilities in place to meet its operational requirements (as disclosed further in Note 5(b)(ii) to the financial statements), notwithstanding that the Group and the Company have net current liabilities of RM367,182,000 and RM485,867,000 respectively as at 31 December 2018. In addition, the Group and the Company carried out monthly cash flows review for the next twelve (12) months to ensure that the business operations have sufficient funds available to meet their obligations as and when they fall due. Historical results of the treasury management show that the Group and the Company have the ability to meet their obligations as and when they fall due and the Group and the Company have not defaulted on any obligations due or payable to financial institutions or creditors.

The Directors are confident that the Group will continue to operate profitably in the foreseeable future and to obtain continuous financial support from the lenders and shareholders.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

(i) Palm products - the operation of oil palm plantations, manufacture and sale of crude palm oil and palm kernel; and

(ii) Others - manufacture and sale of downstream wood products, operation of a forest management unit, manufacture, sale and trading of cocoa products, and generation and supply of electricity from biomass plants.

Except as indicated above, no other business units has been aggregated to form the above reportable operating segments.

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), income taxes, share of profit of associate and share of profit of joint ventures 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.

4. **SEGMENT INFORMATION (continued)**

	Palm products		Others		Adjustment and eliminations			Per consolidated financial statements	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	Notes	2018 RM'000	2017 RM'000
Revenue									
External customers	769,461	946,179	136,980	127,328	-	-		906,441	1,073,507
Inter-segment	23,573	26,444	-	-	(23,573)	(26,444)	(a)	-	-
Total revenue	793,034	972,623	136,890	127,328	(23,573)	(26,444)		906,441	1,073,507
Results									
Interest income	101,931	103,779	406	316	(94,153)	(89,769)		8,184	14,326
Dividend income	169	4,489	-	-	-	-		169	4,489
Depreciation and amortisation	(69,152)	(66,345)	(12,161)	(12,354)	-	-		(81,313)	(78,699)
Share of profit of associate	2,235	7,680	-	-	-	-		2,235	7,680
Share of profit of joint ventures	557	3,345	4,458	4,087	-	-		5,015	7,432
Other material non-cash items	(686)	35,544	1,279	(10,385)	-	-	(b)	593	25,159
Segment profit	123,931	213,430	31,564	7,933	(73,832)	(48,125)	(c)	81,663	173,238
Assets:									
Additions to non-current assets	157,970	172,500	13,364	6,274	-	-	(d)	171,334	178,774
Segment assets	2,232,671	2,264,001	748,294	757,724	236,481	247,753	(e)	3,217,446	3,269,478
Segment liabilities	22,796	44,519	82,846	78,456	1,607,171	1,607,556	(f)	1,712,813	1,730,531

4. SEGMENT INFORMATION (continued)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

(a) Inter-segment revenues are eliminated on consolidation.

(b) Other material non-cash items consist of the following items as presented in the respective notes to the financial statements:

	2018 RM'000	2017 RM'000
Fair value gain on forward currency contracts	311	1,492
Fair value (loss)/gain on commodity future contracts	(5,501)	13,215
Gain/(Loss) from fair value adjustment of forest planting expenditure	4,562	(4,310)
Inventories written back	184	195
Inventories written down	(45)	(4,108)
Inventories written off	(2,034)	-
Net (impairment losses)/write back on other receivables	(296)	825
Net (loss)/gain from fair value adjustment of fresh fruit bunches	(2,709)	349
Net unrealised foreign exchange gain	6,184	23,279
Net write back on trade receivables	512	278
Property, plant and equipment written off	(575)	(6,056)
	593	25,159

(c) The following items are added to/(deducted from) segment profit to arrive at "Profit before tax" presented in the statements of comprehensive income:

	2018 RM'000	2017 RM'000
Share of profit of associate	2,235	7,680
Share of profit of joint ventures	5,015	7,432
Finance costs	(44,036)	(41,773)
Unallocated corporate expenses	(37,046)	(21,464)
	(73,832)	(48,125)

(d) Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment	153,127	167,649
Biological assets	6,628	10,490
Land use rights	11,579	635
	171,334	178,774

4. SEGMENT INFORMATION (continued)

(e) The following items are added to segment assets to arrive at total assets reported in the statements of financial position:

	2018 RM'000	2017 RM'000
Investment in an associate	79,588	80,505
Investments in joint ventures	69,181	73,166
Tax recoverable	11,175	3,976
Deferred tax assets	14,606	19,304
Unallocated amounts	61,931	70,802
	236,481	247,753

(f) The following items are added to segment liabilities to arrive at total liabilities reported in the statements of financial position:

	2018 RM'000	2017 RM'000
Deferred tax liabilities	138,202	150,779
Loans and borrowings	1,455,755	1,442,524
Unallocated amounts	13,214	14,253
	1,607,171	1,607,556

Geographical information

Revenues and segment assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Segment assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	443,909	597,778	1,456,653	1,510,070
Europe	11,988	8,407	4,947	5,152
Indonesia	362,375	398,009	1,751,883	1,750,339
United States of America	64,977	49,610	2,841	2,811
Others	23,192	19,703	1,122	1,106
	906,441	1,073,507	3,217,446	3,269,478

5. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a good credit rating and healthy capital ratios in order to support a balanced growth objective in its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the free cash flow position. To achieve this objective, the Group may adjust the Group internal plans in its expansion of plantation land areas and plantation programme. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a debt/equity ratio, which is loans and borrowings less cash and bank balances divided by total equity. The Group intends to manage its debt/equity ratio at below 1.0 level over the near to medium term to support its existing credit metrics despite its existing financial covenant under the current banking facilities indicating at 1.5 level.

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loans and borrowings	1,455,755	1,442,524	830,451	739,586
Less: Cash and bank balances (Note 32)	(108,003)	(139,280)	(36,734)	(41,231)
Net debt	1,347,752	1,303,244	793,717	698,355
Total equity	1,504,633	1,538,947	989,854	1,041,479
Gearing ratio	0.90	0.85	0.80	0.67

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of not less than or equals to twenty-five percent (25%) of the issued and paid-up capital and such shareholders' equity is not less than RM40,000,000. The Group has complied with this requirement for the financial year ended 31 December 2018.

(b) Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Directors, Chief Financial Officer, Head of Treasury and Head of Finance. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(i) Credit risk

The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including 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.

Information regarding credit enhancements for trade and other receivables and credit risk concentration profiles has been disclosed in Note 26 to the financial statements.

(ii) Liquidity risk

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial 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.

Management continuously strive to re-balance the Group's short term and long term borrowings to reflect the long nature of the Group's business. While there is still a net current liabilities position as at 31 December 2018, the Group has RM529,300,000 in unused credit facilities. For the financial year ending 31 December 2019, the Group expects to achieve further liquidity position improvement due to:

i) cash flow generated from operations;

ii) reduction in new planting activities; and

iii) targeted conversion of short term borrowings to long term borrowings.

At the end of the reporting period, approximately 46% (2017: 45%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The analysis of financial instruments by remaining contractual maturities is disclosed in Notes 31, 36, 38 and 39 to the financial statements respectively.

(iii) Interest rate risk

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 26, 32, 36, 38 and 39 to the financial statements respectively.

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, which are United States Dollars (USD), Australian Dollars (AUD), Sterling Pound (GBP), Euro (EUR) and Indonesia Rupiah (IDR). The foreign currencies in which these transactions are denominated are mainly USD.

Approximately 89% (2017: 93%) of the Group's sales and 91% (2017: 92%) of cost of sales are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group may require its operating entities to use forward currency contracts to eliminate the currency exposures on any individual transactions for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2018, the Group hedged 56% (2017: 56%) of its foreign currency denominated sales, for which firm commitments existed at the end of the reporting period, extending to July 2019 (2017: July 2018).

The currency exposure profiles of financial assets and financial liabilities are as follows:

Group	USD RM'000	AUD RM'000	GBP RM'000	EUR RM'000	IDR RM'000
2018					
Financial assets in foreign currencies					
Trade and other receivables	5,729	2,258	2,685	3,317	18,503
Other current assets	-	-	-	-	16,786
Cash and bank balances	1,163	-	-	35	66,695
Financial liabilities in foreign currencies					
Loans and borrowings	(383,956)	-	-	(94)	-
Trade and other payables	(6,852)	(12)	-	(2,534)	(35,854)

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Foreign currency risk (continued)

The currency exposure profiles of financial assets and financial liabilities are as follows (continued):

Group	USD RM'000	AUD RM'000	GBP RM'000	EUR RM'000	IDR RM'000
2017					
Financial assets in foreign currencies					
Trade and other receivables	2,787	3,623	-	2,556	40,067
Other current assets	-	-	-	-	5,823
Cash and bank balances	1,413	3	-	43	67,381
Financial liabilities in foreign currencies					
Loans and borrowings	(438,390)	-	-	(84)	-
Trade and other payables	(6,929)	-	(39)	(453)	(33,344)

Company	USD RM'000	IDR RM'000
2018		
Financial assets in foreign currencies		
Trade and other receivables	-	862,556
Cash and bank balances	1,059	13,465
Financial liabilities in foreign currencies		
Loans and borrowings	383,904	-
Trade and other payables	4,927	858

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Foreign currency risk (continued)

Company	USD RM'000	IDR RM'000
2017		
Financial assets in foreign currencies		
Trade and other receivables	-	893,790
Cash and bank balances	5,437	20,748
Financial liabilities in foreign currencies		
Loans and borrowings	266,621	-
Trade and other payables	4,927	20,175

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and Company's profit/(loss) net of tax to a reasonably possible change in the USD, GBP, EUR, AUD and IDR exchange rates against the respective functional currency of the Group entities, with all other variables held constant.

		Profit/(Loss) net of tax			
		Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
USD/RM	- strengthened by 5%	(14,654)	(16,826)	(14,735)	(10,112)
	- weakened by 5%	14,654	16,826	14,735	10,112
GBP/RM	- strengthened by 5%	102	(1)	-	-
	- weakened by 5%	(102)	1	-	-
AUD/RM	- strengthened by 5%	85	138	-	-
	- weakened by 5%	(85)	(138)	-	-
EUR/RM	- strengthened by 5%	30	82	-	-
	- weakened by 5%	(30)	(82)	-	-
IDR/RM	- strengthened by 5%	509	778	33,256	33,986
	- weakened by 5%	(509)	(778)	(33,256)	(33,986)

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(v) Market price risk

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Bursa Malaysia and are classified as held for trading.

The sensitivity analysis of market price risk has been disclosed in Note 27 to the financial statements.

6. REVENUE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue from contracts with customers:				
- Sales of oil palm products	769,461	946,179	6,054	9,292
- Sales of cocoa beans and cocoa products	58,045	45,442	-	-
- Sale of ramet	2,114	5,230	-	-
- Sale of timber and latex	4,106	1,173	4,106	1,173
- Sale of wood products	44,633	35,035	-	-
- Revenue from installation services	4,327	19,486	-	-
- Revenue from supply of electricity	23,755	20,962	-	-
	906,441	1,073,507	10,160	10,465
Other revenue				
- Management fees	-	-	23,573	26,444
- Dividend income from subsidiaries, associate and joint ventures	-	-	58,974	67,553
	906,441	1,073,507	92,707	104,462
Timing of revenue recognition				
Products and services transferred over time	1,664	17,196	-	-
Products and services transferred at a point in time	904,777	1,056,311	10,160	10,465
	906,441	1,073,507	10,160	10,465

6. REVENUE (continued)

Disaggregation of revenue from contracts with customers has been presented in the operating segments, Note 4 to the financial statements, which has been presented based on geographical location from which the sale transactions originated.

(a) Sale of goods and supply of electricity

Revenue from sale of goods and supply of electricity are recognised at a point in time when the products have been transferred or the services have been rendered to the customers and coincides with the delivery of products and services and acceptance by customers.

There is no right of return and warranty provided to the customers on the sale of products and services rendered.

There is no significant financing component in the revenue arising from sale of products and services rendered as the sales or services are made on the normal credit terms not exceeding twelve (12) months.

(b) Service contracts - Installation services rendered

Revenue from service contracts is measured at the fixed transaction price agreed under the agreement.

Revenue from service contracts is recognised over the period of the contract using the input method by reference to the costs incurred for work performed to date against the estimated costs to completion if control of the asset transfers over time.

If control of asset transfers at a point in time, revenue is recognised at a point in time when the customer obtains control of the asset.

Significant judgement is required in determining performance obligations, transaction price allocation and costs in applying the input method to recognise revenue over time.

The Group identifies performance obligations that are distinct and material, which are judgmental in the context of contract. Transaction prices were determined based on estimated margins prior to its allocation to the identified performance obligation. The Group also estimated total contract costs in applying the input method to recognise revenue over time.

(c) Management fees

Management fees are recognised of when services are rendered.

(d) Dividend income

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

7. COST OF SALES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cost of inventories sold	609,718	698,382	4,620	4,810
Installation service costs	1,464	3,253	-	-
Cost of services rendered	8,759	9,840	-	-
	619,941	711,475	4,620	4,810

8. INTEREST INCOME

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
Amounts due from subsidiaries	-	-	54,029	51,712
Plasma receivables	4,065	9,863	-	-
Short-term deposits	4,098	4,459	833	1,668
Others	21	4	-	-
	8,184	14,326	54,862	53,380

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

9. DIVIDEND INCOME

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Dividend income from:				
Short term investments (unquoted in Malaysia)	169	169	169	169
Investment securities (unquoted in Malaysia)	-	4,320	-	-
	169	4,489	169	169

Dividend income

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

10. OTHER INCOME

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fair value gain on commodity future contracts	-	13,215	-	193
Fair value gain on forward currency contracts	311	1,492	-	-
Gain from fair value adjustment of forest planting expenditure (Note 19)	4,562	-	-	-
Gain on disposal of property, plant and equipment	644	-	30	182
Gain on disposal of unquoted investment	-	3,595	-	-
Gain on remeasurement of financial guarantees contracts	28	22	476	464
Inventories written back (Note 28)	184	195	-	-
Management fee	2,176	2,936	-	-
Net gain from fair value adjustment of fresh fruit bunches (Note 19)	-	349	-	-
Net gain on foreign exchange - unrealised	6,184	23,279	-	-
Realised gain on commodity future contracts	7,961	-	154	950
Realised gain on forward currency contracts	1,050	-	-	-
Rental income	874	801	3,047	634
Sale of scrap iron	235	492	-	-
Waiver of debts owing to subsidiaries	-	-	273	970
Write back of impairment losses on:				
- investment securities	-	8	-	8
- property, plant and equipment (Note 18)	-	72	-	-
- trade receivables (Note 26(a))	789	1,953	-	-
- other receivables (Note 26(b))	1,927	2,116	-	5
- amounts due from subsidiaries (Note 26(c))	-	-	60	4,778
Miscellaneous	2,331	2,938	1,207	355
	29,256	53,463	5,247	8,539

Rental income

Rental income is recognised on a straight line basis over the period of tenancy.

11. FINANCE COSTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest expenses on:				
Amounts due to subsidiaries	-	-	29,174	37,611
Bank overdrafts	131	107	-	-
Bankers' acceptances	6,918	5,974	-	-
Revolving credits	16,234	11,757	15,851	11,080
Term loans	20,604	21,223	19,577	19,697
Others	22	534	-	513
	43,909	39,595	64,602	68,901
Islamic financing distribution payment:				
Sukuk Ijarah Medium Term Notes	14,926	14,805	-	-
Sukuk Murabahah Medium Term Notes	7,830	7,830	-	-
Sukuk Musyarakah Medium Term Notes	556	2,250	-	-
	23,312	24,885	-	-
Total finance costs	67,221	64,480	64,602	68,901
Less: Interest expense capitalised in bearer plants and forest planting expenditure (Note 18(f) and Note 19(a))	(23,185)	(22,707)	(882)	(823)
Net finance costs	44,036	41,773	63,720	68,078

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

All other 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.

Interest expense capitalised under bearer plants of the Group amounting to RM22,303,000 (2017: RM21,884,000) and under biological assets of the Company amounting to RM882,000 (2017: RM823,000) at interest rates ranging from 2.35% to 5.58% (2017: 3.27% to 5.31%).

Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

12. PROFIT/(LOSS) BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the following items have been included in arriving at profit/(loss) before tax:

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Amortisation of biological assets	19	1,181	1,181	1,181	1,181
Amortisation of land use rights	20	6,449	6,633	-	-
Auditors' remuneration:					
- statutory audits:					
- current year		757	756	137	125
- under/(over) provision in prior years		23	(68)	6	-
- other services					
- current year		9	5	-	-
Bad debts written off		199	2	11	-
Depreciation of property, plant and equipment		73,683	70,885	5,496	5,865
Employee benefits expense	13	102,357	88,629	27,941	24,861
Fair value loss on commodity future contracts		5,501	-	45	-
Fair value loss on investment securities		19	-	19	-
Impairment losses on:					
- cost of investments in subsidiaries	22	-	-	89	7,617
- property, plant and equipment	18	39	-	-	-
- trade receivables	26(a)	277	1,675	-	-
- other receivables	26(b)	2,223	1,291	8	-
- amounts due from subsidiaries	26(c)	-	-	3,859	712
Inventories written down	28	45	4,108	-	-
Inventories written off	28	2,034	-	144	-
Loss from fair value adjustment of fresh fruit bunches	19	2,709	-	140	85
Loss on disposal of property, plant and equipment		-	128	-	-
Loss from fair value adjustment of forest planting expenditure	19	-	4,310	12,917	7,828

12. PROFIT/(LOSS) BEFORE TAX (continued)

Other than those disclosed elsewhere in the financial statements, the following items have been included in arriving at profit/(loss) before tax (continued):

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Loss on redemption of short-term funds		100	51	100	51
Net loss on foreign exchange:					
- realised		17,283	7,737	18,490	8,745
- unrealised		-	-	22,791	91,938
Non-Executive Directors' remuneration	14	2,743	2,069	1,020	1,851
Property, plant and equipment written off	18	575	6,056	349	76
Waiver of debts owing by subsidiaries		-	-	185	153

13. EMPLOYEE BENEFITS EXPENSE

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Wages and salaries		106,849	95,312	28,481	25,226
Contributions to defined contribution plan		5,230	4,774	2,993	2,537
Social security contributions		7,355	7,367	185	153
Increase in liability for defined benefit plan	37	3,907	3,409	-	-
		123,341	110,862	31,659	27,916
Less: Amount capitalised in bearer plants	18(f)	(16,983)	(17,980)	-	-
Less: Amount capitalised in forest planting expenditure	19(a)	(4,001)	(4,253)	(3,718)	(3,055)
		102,357	88,629	27,941	24,861

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM6,876,000 (2017: RM6,378,000) and RM6,797,000 (2017: RM6,299,000) respectively as further disclosed in Note 14 to the financial statements.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

14. DIRECTORS' REMUNERATION

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

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Executive:					
Salaries and bonus		6,139	5,694	6,069	5,624
Other emoluments		737	684	728	675
Total Executive Directors' remuneration (excluding benefits-in-kind)	13	6,876	6,378	6,797	6,299
Estimated money value of benefits-in-kind		604	269	605	84
Total Executive Directors' remuneration (including benefits-in-kind)		7,480	6,647	7,402	6,383
Non-Executive:					
Fees		195	228	177	180
Salaries		1,436	76	-	-
Other emoluments		1,112	1,765	843	1,671
Total Non-Executive Directors' remuneration (excluding benefits-in-kind)	12	2,743	2,069	1,020	1,851
Estimated money value of benefits-in-kind		454	175	454	175
Total Non-Executive Directors' remuneration (including benefits-in-kind)		3,197	2,244	1,474	2,026
Total Directors' remuneration		10,677	8,891	8,876	8,409

14. DIRECTORS' REMUNERATION (continued)

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2018	**2017**
Executive Directors:		
RM750,000 - RM800,000	-	-
RM850,001 - RM900,000	-	-
RM1,050,001 - RM1,100,000	-	1
RM1,300,001 - RM1,350,000	1	-
RM1,850,001 - RM1,900,000	-	1
RM2,050,001 - RM3,000,000	1	-
RM3,650,001 - RM3,700,000	-	1
RM4,100,001 - RM4,150,000	1	-
Non-Executive Directors:		
Below RM50,000	6	2
RM50,001 - RM100,000	-	2
RM250,001 - RM300,000	-	1
RM350,001 - RM400,000	-	-
RM400,001 - RM450,000	-	1
RM450,001 - RM500,000	1	-
RM1,300,001 - RM1,350,000	-	1
RM2,500,001 - RM2,550,000	1	-

15. TAXATION

(a) Major components of taxation

The major components of taxation for the financial years ended 31 December 2018 and 31 December 2017 are:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	12,200	16,216	-	-
- Foreign tax	23,048	32,538	-	-
	35,248	48,754	-	-
Under/(Over) provision in prior years:				
- Malaysian income tax	434	2,313	-	1,948
- Foreign tax	(144)	1,670	-	-
	290	3,983	-	1,948
Deferred tax (Note 25)				
- Origination and reversal of differences	(6,371)	(1,127)	(7,287)	(3,151)
- Under provision in prior years	572	193	652	707
	(5,799)	(934)	(6,635)	(2,444)
Taxation recognised in profit and loss	29,739	51,803	(6,635)	(496)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

15. TAXATION (continued)

(b) Reconciliation between taxation and accounting profit

The reconciliation between taxation and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 31 December 2017 are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) before tax	81,663	173,238	(30,624)	(77,545)
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	19,599	41,577	(7,350)	(18,611)
Different tax rates in other countries	664	(172)	-	-
Adjustments:				
Non-deductible expenses	45,160	51,053	27,885	45,829
Income not subject to taxation	(35,196)	(44,395)	(27,822)	(30,369)
Share of profit of associate	(536)	(1,843)	-	-
Share of profit of joint ventures	(1,204)	(1,784)	-	-
Effect of utilisation of previously unrecognised tax losses and unabsorbed allowances	(327)	(970)	-	-
Effect of different tax rate for small and medium scale company	(176)	(488)	-	-
Effect of investment cost in subsidiaries eligible for tax deduction	(1,224)	(786)	-	-
Deferred tax assets not recognised	2,117	5,435	-	-
Under provision of income tax expense in prior years	290	3,983	-	1,948
Under provision of deferred tax in prior years	572	193	652	707
Taxation recognised in profit and loss	29,739	51,803	(6,635)	(496)

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

15. TAXATION (continued)

(c) Value-added tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of VAT except:

(i) Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and

(ii) Receivables and payables that are stated with the amount of VAT included.

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

(d) Tax effect on each component of other comprehensive income is as follows:

	Before tax RM'000	Tax effect RM'000	After tax RM'000
Group			
At 31 December 2018			
Item that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translations	(58,492)	-	(58,492)
Item that may not be reclassified to profit or loss in subsequent periods:			
Remeasurement of net retirement benefit obligations	870	-	870
At 31 December 2017			
Item that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translations	(187,779)	-	(187,779)
Item that may not be reclassified to profit or loss in subsequent periods:			
Remeasurement of net retirement benefit obligations	(1,902)	-	(1,902)

16. EARNINGS PER ORDINARY SHARE

(a) Basic

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

	Group	
	2018	**2017**
Profit attributable to owners of the Company used in the computation of basic or diluted earnings per share (RM'000)	40,462	97,327
Weighted average number of ordinary shares in issue* ('000)	1,381,798	1,364,418
Basic earnings per ordinary share (sen)	2.93	7.13

* *The weighted average number of shares for the financial year 2017 takes into account of the weighted average effects of issuance of new ordinary shares and treasury shares transactions respectively.*

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

There have been no other transactions involving ordinary shares or potential ordinary shares between the end of the reporting period and the date of authorisation of these financial statements.

17. DIVIDENDS

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Recognised during the year:		
First and final single tier dividend for financial year ended 31 December 2017 of 2.0 sen per ordinary shares	27,636	-
First and final single tier dividend for financial year ended 31 December 2016 of 2.0 sen per ordinary shares	-	27,136
	27,636	27,136

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2018 of 1.0 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

18. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2018 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassifications RM'000	Depreciation charged for the financial year RM'000	Impairment loss RM'000	Exchange differences RM'000	Balance as at 31.12.2018 RM'000
Carrying amount									
Long term leasehold land	223,974	-	-	-	-	(3,333)	-	-	220,641
Bearer plants	1,146,570	98,864	-	(377)	-	(23,489)	-	(42,705)	1,178,863
Plantation infrastructure	49,892	1,674	-	-	23,887	(8,089)	-	(1,843)	65,521
Buildings	222,181	22,532	-	(68)	50,785	(13,441)	-	(2,121)	279,868
Motor vehicles	12,300	3,781	(293)	-	(2,014)	(4,600)	-	(263)	8,911
Plant, machinery and equipment	116,451	10,971	(83)	(68)	39,598	(26,264)	-	(1,089)	139,516
Furniture, fittings and renovation	37,200	1,301	(2)	(39)	(382)	(2,080)	-	(75)	35,923
Assets under construction	108,073	14,004	-	(23)	(111,874)	-	(39)	(2,307)	7,834
	1,916,641	153,127	(378)	(575)	-	(81,296)	(39)	(50,403)	1,937,077

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at 1.1.2017 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassifications RM'000	Depreciation charged for the financial year RM'000	Impairment write back RM'000	Exchange differences RM'000	Balance as at 31.12.2017 RM'000
Carrying amount									
Long term leasehold land	227,512	-	-	(204)	-	(3,334)	-	-	223,974
Bearer plants	1,178,646	124,057	-	(155)	-	(20,365)	-	(135,613)	1,146,570
Plantation infrastructure	57,876	3,811	-	(74)	2,217	(8,561)	-	(5,377)	49,892
Buildings	237,218	4,934	(640)	(457)	1,617	(11,146)	-	(9,345)	222,181
Motor vehicles	13,972	4,315	(212)	(24)	(254)	(5,943)	-	446	12,300
Plant, machinery and equipment	138,641	12,046	(2,017)	(177)	1,699	(28,736)	-	(5,005)	116,451
Furniture, fittings and renovation	40,475	1,704	(6)	(89)	1	(2,815)	-	(2,070)	37,200
Assets under construction	109,030	16,782	-	(4,876)	(5,280)	-	72	(7,655)	108,073
	2,003,370	167,649	(2,875)	(6,056)	-	(80,900)	72	(164,619)	1,916,641

18. PROPERTY, PLANT AND EQUIPMENT (continued)

	At 31.12.2018			
Group	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Carrying amount RM'000
Long term leasehold land	234,298	(13,657)	-	220,641
Bearer plants	1,346,044	(167,181)	-	1,178,863
Plantation infrastructure	101,292	(35,771)	-	65,521
Buildings	372,534	(92,666)	-	279,868
Motor vehicles	61,214	(52,303)	-	8,911
Plant, machinery and equipment	442,816	(303,300)	-	139,516
Furniture, fittings and renovation	65,037	(28,056)	(1,058)	35,923
Assets under construction	192,887	-	(185,053)	7,834
	2,816,122	(692,934)	(186,111)	1,937,077

	At 31.12.2017			
Group	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Carrying amount RM'000
Long term leasehold land	234,298	(10,324)	-	223,974
Bearer plants	1,289,792	(143,222)	-	1,146,570
Plantation infrastructure	78,355	(28,463)	-	49,892
Buildings	301,965	(79,784)	-	222,181
Motor vehicles	67,530	(55,230)	-	12,300
Plant, machinery and equipment	393,181	(276,730)	-	116,451
Furniture, fittings and renovation	65,603	(27,345)	(1,058)	37,200
Assets under construction	293,087	-	(185,014)	108,073
	2,723,811	(621,098)	(186,072)	1,916,641

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1.1.2018 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassifications RM'000	Depreciation charged for the financial year RM'000	Balance as at 31.12.2018 RM'000
Carrying amount							
Long term leasehold land	52,489	-	-	-	-	(771)	51,718
Bearer plants	4,562	1,343	-	(340)	-	(960)	4,605
Plantation infrastructure	11,699	-	-	-	-	(167)	11,532
Buildings	44,221	15	-	-	1,014	(1,168)	44,082
Motor vehicles	4,338	177	(3)	-	-	(1,389)	3,123
Plant, machinery and equipment	1,890	630	(5)	(9)	59	(589)	1,976
Furniture, fittings and renovation	3,661	276	-	-	-	(703)	3,234
Assets under construction	2,784	258	-	-	(1,073)	-	1,969
	125,644	2,699	(8)	(349)	-	(5,747)	122,239

Company	Balance as at 1.1.2017 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassifications RM'000	Depreciation charged for the financial year RM'000	Balance as at 31.12.2017 RM'000
Carrying amount							
Long term leasehold land	53,260	-	-	-	-	(771)	52,489
Bearer plants	4,847	1,071	-	(71)	-	(1,285)	4,562
Plantation infrastructure	11,867	-	-	-	-	(168)	11,699
Buildings	44,963	414	(225)	(2)	225	(1,154)	44,221
Motor vehicles	4,892	1,090	(7)	-	10	(1,647)	4,338
Plant, machinery and equipment	1,375	1,025	-	-	-	(510)	1,890
Furniture, fittings and renovation	3,708	749	-	(3)	-	(793)	3,661
Assets under construction	2,015	1,004	-	-	(235)	-	2,784
	126,927	5,353	(232)	(76)	-	(6,328)	125,644

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	At 31.12.2018 Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Long term leasehold land	54,462	(2,744)	51,718
Bearer plants	24,688	(20,083)	4,605
Plantation infrastructure	13,262	(1,730)	11,532
Buildings	55,951	(11,869)	44,082
Motor vehicles	17,789	(14,666)	3,123
Plant, machinery and equipment	13,239	(11,263)	1,976
Furniture, fittings and renovation	12,072	(8,838)	3,234
Assets under construction	1,969	-	1,969
	193,432	(71,193)	122,239

Company	At 31.12.2017 Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Long term leasehold land	54,462	(1,973)	52,489
Bearer plants	28,851	(24,289)	4,562
Plantation infrastructure	13,262	(1,563)	11,699
Buildings	54,922	(10,701)	44,221
Motor vehicles	17,856	(13,518)	4,338
Plant, machinery and equipment	12,678	(10,788)	1,890
Furniture, fittings and renovation	11,798	(8,137)	3,661
Assets under construction	2,784	-	2,784
	196,613	(70,969)	125,644

(a) All items of property, plant and equipment are initially recorded at cost. After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

(b) The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*.

18. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Leasehold land are depreciated over their remaining leases which range from 38 years to 90 years.

Bearer plants are living plants that are used in the production or supply of agriculture produce for more than one period and have remote likelihood of being sold as agriculture produce, except for incidental scrap sales. The bearer plants that are available for use are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes plantation expenditure, which represents the total cost incurred from land clearing to the point of harvesting. The mature bearer plants are depreciated over their remaining useful lives of twenty-two (22) to twenty-five (25) years on a straight-line basis. The immature bearer plants are not depreciated until such time when they are available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Plantation infrastructure	4%
Buildings	2%
Motor vehicles	10% to 20%
Plant, machinery and equipment	7% to 33%
Furniture, fittings and renovation	5% to 10%

Assets under construction are stated at cost and not depreciated as the assets are not yet available for use.

(d) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM153,127,000 (2017: RM167,649,000), of which none (2017: RM176,000) was acquired by means of hire purchase arrangements. Included in property, plant and equipment of the Group are plant, machinery and equipment with net carrying amount of RM138,000 (2017: RM176,000) held under hire purchase arrangements.

(e) Depreciation capitalised under bearer plants and biological assets during the financial year was as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Property, plant and equipment</u>				
Bearer plants (Note 18(f))	7,181	9,373	-	-
<u>Biological assets</u>				
Forest planting expenditure (Note 19(a))	432	642	251	463

18. PROPERTY, PLANT AND EQUIPMENT (continued)

(f) Included in bearer plants during the financial year are:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Depreciation of property, plant and equipment (Note 18(e))	7,181	9,373
Amortisation of land use rights (Note 20)	1,021	1,200
Interest expense (Note 11)	22,303	21,884
Employee benefits expenses (Note 13)	16,983	17,980

(g) Management estimates the useful lives of plant and machinery to be between 3 to 14 years. These are common life expectancies applied in the palm oil and woods industries. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Sensitivity analysis for depreciation rate

	Group	
	2018	**2017**
	RM'000	**RM'000**
Depreciation rate		
- increased by 10%	(2,626)	(2,874)
- decreased by 10%	2,626	2,874

(h) The Group assessed whether there were any indicators of impairment of property, plant and equipment during the financial year. In doing this, management considered the current environment and performance of the Cash Generating Units ("CGUs"). Management considered the losses in certain subsidiaries in the current financial year as impairment indicators.

A CGU's recoverable amount is based on value-in-use. Management has made estimates about the future results and key assumptions applied to cash flow projections of the CGUs. These key assumptions are applied to cash flow projections of the CGUs and include forecast growth in future revenues and budgeted gross profit margins, as well as determining an appropriate pre-tax discount rate and growth rates. An impairment loss on property, plant and equipment amounting to RM39,000 has been recognised during the financial year due to the recoverable amount of the property, plant and equipment in the CGU, which is determined based on cash flow projection, is lower than its carrying amount.

The disclosures of the key inputs and assumptions are similar to the impairment assessment on the intangible assets, which have been set out in Note 21 to the financial statements.

19. BIOLOGICAL ASSETS

Group	Forest planting expenditure (At fair value) RM'000	Forest planting expenditure (At cost) RM'000	Total RM'000
Non-current assets			
At cost/valuation			
At 1 January 2018	296,093	95,650	391,743
Additions during the year	6,628	-	6,628
Gain from fair value adjustment	4,562	-	4,562
At 31 December 2018	307,283	95,650	402,933
At 1 January 2017	289,913	95,650	385,563
Additions during the year	10,490	-	10,490
Loss from fair value adjustment	(4,310)	-	(4,310)
At 31 December 2017	296,093	95,650	391,743
Accumulated amortisation			
At 31 December 2017/ At 1 January 2018	-	(1,181)	(1,181)
Amortisation for the year:			
Recognised in profit or loss (Note 12)	-	(1,181)	(1,181)
At 31 December 2018	-	(2,362)	(2,362
At 31 December 2016/ At 1 January 2017	-	-	-
Amortisation for the year:			
Recognised in profit or loss (Note 12)	-	(1,181)	(1,181)
At 31 December 2017	-	(1,181)	(1,181)
Net carrying amount:			
At cost/valuation			
As 31 December 2018	307,283	93,288	400,571
At 31 December 2017	296,093	94,469	390,562

19. BIOLOGICAL ASSETS (continued)

Company	Forest planting expenditure (At fair value) RM'000	Forest planting expenditure (At cost) RM'000	Total RM'000
Non-current assets			
At cost/valuation			
At 1 January 2018	241,590	95,650	337,240
Additions during the year	3,542	-	3,542
Loss from fair value adjustment	(12,917)	-	(12,917)
At 31 December 2018	232,215	95,650	327,865
At 1 January 2017	242,350	95,650	338,000
Additions during the year	7,068	-	7,068
Loss from fair value adjustment	(7,828)	-	(7,828)
At 31 December 2017	241,590	95,650	337,240
Accumulated amortisation			
At 31 December 2017/ At 1 January 2018	-	(1,181)	(1,181)
Amortisation for the year:			
Recognised in profit or loss (Note 12)	-	(1,181)	(1,181)
At 31 December 2018	-	(2,362)	(2,362)
At 31 December 2016/ At 1 January 2017	-	-	-
Amortisation for the year:			
Recognised in profit or loss (Note 12)	-	(1,181)	(1,181)
At 31 December 2017	-	(1,181)	(1,181)
Net carrying amount:			
At cost/valuation			
As 31 December 2018	232,215	93,288	325,503
At 31 December 2017	241,590	94,469	336,059

19. BIOLOGICAL ASSETS (continued)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current assets				
At fair value				
Fresh fruit bunches				
At beginning of financial year	7,825	7,290	222	307
Changes in fair value less costs to sell	(2,709)	349	(140)	(85)
Exchange differences	(30)	186	-	-
At end of financial year	5,086	7,825	82	222

The nature and purpose of each category of biological assets are as follows:

(a) Forest planting expenditure

(i) Forest planting expenditure represents Industrial Timber Plantation expenses incurred on the development of the Group's Sustainable Forest Management Project under a Sustainable Forest Management License Agreement with the State Government of Sabah, in respect of a long term concession for 93,000 hectares of timber land under Forest Management Unit at Ulu Tungud, Sabah. This is carried at its fair value with changes in fair value recognised in profit or loss.

During the current financial year, the Group had carried out a valuation exercise to reflect the fair value of the Group's forest planting expenditure within the Industrial Timber Plantation area. The latest valuation exercise was conducted by CH Williams Talhar & Wong, with a valuation report dated 30 January 2019 for the valuation as at 31 December 2018.

For areas beyond the Industrial Timber Plantation, direct and related cost incurred and capitalised under biological assets will be amortised over the remaining concession period.

(ii) Included in forest planting expenditure incurred during the financial year are:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment (Note 18(e))	432	642	251	463
Interest expense (Note 11)	882	823	882	823
Employee benefits expenses (Note 13)	4,001	4,253	3,718	3,055

19. BIOLOGICAL ASSETS (continued)

The nature and purpose of each category of biological assets are as follows (continued):

(a) Forest planting expenditure (continued)

(iii) The methods and assumptions used by management to determine fair values are as follows:

Investment method is adopted to value forest planting expenditure within the Industrial Timber Plantation area. For rubber, the annual income from latex is estimated based on yield and long term average price of the crop. Thereafter, the cost of production is deducted and the net income is derived. In the final year, the value of rubberwood that could be harvested from the old rubber trees to be felled before replanting is added. The whole income flow from latex and from the rubberwood in the last year is then capitalised using the net present value, discounted at the appropriate rate of return for the remaining cropping life of the rubber trees to obtain the value of the present crops.

For the other plantation trees, the present tree crop is valued as profits from timber extraction and sales obtained by deducting the production costs from sales revenues. This is discounted at the appropriate rate of return to obtain the value of the present tree crop. For both the rubber and the other plantation trees, the scrub value (infrastructure value only, and excluding land cost) to which the land reverts at the end of the economic life of the cultivations, deferred (discounted) for the period is then added to the value of the present crops. The fair value is derived from deducting the value of the infrastructures from the market value of the trees.

Biological assets	Valuation technique used	Significant unobservable inputs	Range	Inter-relationship between key unobservable inputs and fair value
Forest planting expenditure within the Industrial Timber Plantation area	Investment method	(a) Discount rate	2018: 10% - 14% (2017: 10% - 14%)	The higher the discount rate, the lower the fair value.
		(b) Estimated yield		The higher the yield rate, the higher the fair value.
		- rubber (kg /Ha)	2018: 500 - 2,000 (2017: 500 - 2,000)	
		- wood/timber (M^3/Ha)	2018: 160 - 200 (2017: 200 - 250)	
		(c) Estimated price		The higher the price, the higher the fair value.
		- rubber (RM/KG)	2018: 6.50 (2017: 6.50)	
		- wood/timber (RM/M^3)	2018: 350 - 425 (2017: 350 - 425)	

19. BIOLOGICAL ASSETS (continued)

The nature and purpose of each category of biological assets are as follows (continued):

(a) Forest planting expenditure (continued)

(iv) The fair value of forest planting expenditure of the Group and of the Company is categorised as Level 3 in the fair value hierarchy. There is no transfer between levels in the fair value hierarchy during the financial year.

(b) Fresh Fruit Bunches ("FFB") prior to harvest

(i) The valuation model adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB. To arrive at the fair value, the management has considered the oil content of the unripe FFB and derived the assumption that the net cash flows to be generated from FFB prior to more than 15 days to harvest is negligible, therefore quantity of unripe FFB on bearer plant of up to 15 days prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 80% of the ripe FFB, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from the laboratory tests. Costs to sell include harvesting cost, transport and windfall profit levy.

(ii) During the financial year, the Group and the Company harvested approximately 857,801 tonnes and 14,854 tonnes (2017: 710,105 tonnes and 17,353 tonnes) respectively of FFB.

(iii) As at 31 December 2018, none of the FFB are pledged as securities for liabilities.

(iv) The fair value measurement of the Group's biological assets are categorised within Level 3 of the fair value hierarchy. If the FFB selling price changes by 10%, fair value gain/loss for the Group and the Company would have equally increased or decreased by approximately RM790,541 and RM13,815 (2017: RM1,162,768 and RM32,017) respectively.

There were no transfers between all three (3) levels of the fair value hierarchy during the financial year.

20. LAND USE RIGHTS

	Group	
	2018	2017
	RM'000	RM'000
Cost:		
At 1 January	245,595	262,726
Additions	2,475	635
Transfer from prepayment for acquisition of land use rights (Note 26 (b)(iv))	9,104	-
Exchange differences	(4,904)	(17,766)
At 31 December	252,270	245,595

20. LAND USE RIGHTS (continued)

	Group 2018 RM'000	Group 2017 RM'000
Accumulated amortisation:		
At 1 January	63,796	61,164
Amortised for the financial year:	7,470	7,833
Recognised in profit or loss (Note 12)	6,449	6,633
Capitalised in bearer plants (Note 18(f))	1,021	1,200
Exchange differences	(1,507)	(5,201)
At 31 December	69,759	63,796
Net carrying amount	182,511	181,799

	Group 2018 RM'000	Group 2017 RM'000
Amounts to be amortised:		
Not later than one year	7,470	7,833
Later than one year but not later than five years	29,880	31,331
Later than five years	145,161	142,635

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

21. INTANGIBLE ASSETS

Goodwill	**RM'000**
Group	
Cost:	
At 1 January 2017	65,557
Exchange differences	(3,805)
At 31 December 2017 and 1 January 2018	61,752
Exchange differences	(1,080)
At 31 December 2018	60,672

21. INTANGIBLE ASSETS (continued)

Goodwill (continued)	**RM'000**
Group	
Accumulated impairment:	
At 1 January 2017/1 January 2018	4,500
Impairment during the financial year	-
At 31 December 2017 and 2018	4,500
Net carrying amount	
At 31 December 2018	56,172
At 31 December 2017	57,252

Impairment tests for goodwill

The carrying amounts of goodwill allocated to each CGU are as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Segments:		
Palm products	51,431	52,511
Others	4,741	4,741
	56,172	57,252

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. For palm product companies, cash flows projections are extrapolated to a period of up to twenty (20) years, which would cover the major life cycle of oil palm trees. Whilst for other companies, cash flows projections are extrapolated to the average economic useful lives of the assets.

Growth rate for the plantation segment are determined based on the management's estimate of commodity prices, palm yields, oil extraction rates and also cost of productions whilst growth rates of other segments are determined based on the past performances of the segments.

The pre-tax discount rate applied to the cash flow projections are as follows:

	2018	**2017**
	%	**%**
Pre-tax discount rates	7.00 - 9.00	7.00 - 9.00

21. INTANGIBLE ASSETS (continued)

Goodwill (continued)

The calculations of value in use for the CGU are most sensitive to the following assumptions:

Budgeted gross profit margins - Gross profit margins are based on historical profit margin achieved. These are increased over the budget period for anticipated efficiency improvements.

Pre-tax discount rates - Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, the management is not aware of any reasonably possible change in the above key assumptions that would cause the carrying amounts of the CGUs to materially exceed their recoverable amounts.

22. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	**2017**
	RM'000	**RM'000**
Unquoted shares, at cost:		
In Malaysia	240,166	240,166
Outside Malaysia	31,178	31,178
	271,344	271,344
ESOS granted to employees of subsidiaries	2,446	2,446
Non-cumulative redeemable convertible preference shares	616,576	607,590
Non-convertible redeemable preference shares	14,500	14,500
	904,866	895,880
Less: Impairment losses on investments in subsidiaries	(8,942)	(8,853)
	895,924	887,027

(a) In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. 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.

22. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Impairment losses on investments in subsidiaries amounting to RM89,000 (2017: RM7,617,000) have been recognised during the financial year in respect of certain subsidiaries due to continuous losses making of these subsidiaries. The net carrying amounts of investments in these subsidiaries amounted to RM202,029,000 as at 31 December 2018 (2017: RM139,104,000).

Management has made estimates about the future results and key assumptions applied to cash flow projections of these subsidiaries in determining their recoverable amounts using the value-in-use model. These key assumptions include forecast growth in future revenues and budgeted gross profit margins, as well as determining an appropriate pre-tax discount rate, growth rates and terminal values.

(c) During the financial year, the Company:

(i) subscribed for an additional 11,686,000 non-cumulative redeemable convertible preference shares in certain subsidiaries. The consideration for the subscriptions amounted to RM5,166,000 was satisfied by cash and remaining balance of RM6,520,000 was satisfied by way of capitalisation of amounts due to the Company.

(ii) redeemed 1,600,000 non-cumulative redeemable convertible preference shares at RM1.00 each in TSH Bio-Gas Sdn. Bhd. with total redemption amount of RM1,600,000 by cash.

(iii) redeemed 1,100,000 non-cumulative redeemable convertible preference shares at RM1.00 each in Globeflex Advisory Sdn. Bhd. with total redemption amount of RM1,100,000. The redemption amount of RM220,000 was satisfied by cash and remaining balance of RM880,000 was satisfied by way of contra against the amounts due from the Company.

(d) In the previous financial year, the privatisation of Ekowood International Berhad was completed by way of issuance of 11,390,066 ordinary shares at RM1.92 each and it is now a wholly-owned subsidiary of the Company.

(e) In the previous financial year, the Company announced that it had acquired 100 ordinary shares of SGD1.00 each of the issued and paid-up share capital of TSH Agri Pte. Ltd. ("TSH Agri"), for a total consideration of SGD100 (equivalent to RM300). Subsequently, the Company had further subscribed for an additional 299,900 ordinary shares of SGD1.00 each, representing 100% of the issued and paid-up share capital of TSH Agri for a total consideration of SGD299,900 (equivalent to RM938,000).

(f) In the previous financial year, the Company subscribed for an additional 210,401,140 non-cumulative redeemable convertible preference shares in certain subsidiaries. The consideration for the subscriptions amounted to RM421,527,000 was satisfied by cash and remaining balance of RM7,033,000 was satisfied by way of capitalisation of amounts due to the Company.

22. INVESTMENTS IN SUBSIDIARIES (continued)

(g) The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	% of effective ownership interest held by the Group 2018 %	2017 %	% of ownership held by non-controlling interest 2018 %	2017 %
Held by the Company:						
TSH Plantation Sdn. Bhd. [i]	Malaysia	Operation of palm oil mills and investment holding	100	100	-	-
CocoaHouse Industries Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
CocoaHouse Sdn. Bhd. [i]	Malaysia	Manufacture and sale of cocoa products and investment holding	100	100	-	-
Ekowood International Berhad [i]	Malaysia	Manufacture and sale of downstream wood products	100	100	-	-
TSH Bio-Gas Sdn. Bhd. [i]	Malaysia	Operation of biogas power plant	100	100	-	-
TSH Forestry (Sabah) Sdn. Bhd. [i/v]	Malaysia	Dormant	100	100	-	-
LKSK Sdn. Bhd. [i]	Malaysia	Oil palm plantations	51	51	49	49
TSH Sabahan Oil Mil Sdn. Bhd. [i/v]	Malaysia	Dormant	100	100	-	-
Tan Soon Hong Holdings Sdn. Bhd. [i]	Malaysia	Oil palm plantations and investment holding	100	100	-	-

22. INVESTMENTS IN SUBSIDIARIES (continued)

(g) The details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	% of effective ownership interest held by the Group 2018 %	2017 %	% of ownership held by non-controlling interest 2018 %	2017 %
Held by the Company (continued):						
TSH Bio-Energy Sdn. Bhd. [i]	Malaysia	Operation of a power plant	100	100	-	-
TSH Timber Industries Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
POME Energy Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
Landquest Sdn. Bhd. [i]	Malaysia	Oil palm plantations	56.68	56.68	43.32	43.32
TSH Sumbar Group Limited [iv] (f.k.a Andalas Agro Industri Limited)	Seychelles	Investment holding	100	100	-	-
PT Aramico Komoditi [ii/iv]	Indonesia	Dormant	74.42	74.42	25.58	25.58
TSH Logistics Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
Polar Vertix Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
TSH Oversea Pte. Ltd. [iv] (f.k.a Jatoba International Pte. Ltd.)	Singapore	Investment holding	100	100	-	-

22. INVESTMENTS IN SUBSIDIARIES (continued)

(g) The details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	% of effective ownership interest held by the Group 2018 %	2017 %	% of ownership held by non-controlling interest 2018 %	2017 %
Held by the Company (continued):						
TSH Sukuk Ijarah Sdn. Bhd. [i]	Malaysia	Undertake of Islamic Securities transactions	100	100	-	-
TSH Global Plantation Pte. Ltd. [iv] (f.k.a Elaeis Oversea Pte. Ltd.)	Singapore	Investment holding	100	100	-	-
TSH Mitra Capital Pte. Ltd. [iv] (f.k.a Martinique Cove Pte. Ltd.)	Singapore	Investment holding	100	100	-	-
GlobeFlex Advisory Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
TSH Sukuk Musyarakah Sdn. Bhd. [i/v]	Malaysia	Dormant	100	100	-	-
Halaman Semesta Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
Bagan Agresif Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
Casa Logistic Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
Rinukut Sdn. Bhd. [i]	Malaysia	Investment holding	70	70	30	30

22. INVESTMENTS IN SUBSIDIARIES (continued)

(g) The details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	% of effective ownership interest held by the Group 2018 %	2017 %	% of ownership held by non-controlling interest 2018 %	2017 %
Held by the Company (continued):						
TSH Sukuk Murabahah Sdn. Bhd. [i]	Malaysia	Undertake of Islamic Securities transactions	100	100	-	-
Icon Field Ventures Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
TSH Agri Pte. Ltd. [vi]	Singapore	Investment holding	100	100	-	-
Held through Ekowood International Berhad						
TSH Products Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
Ekowood Iberica, S.L. [iii]	Spain	Dormant	99.96	99.96	0.04	0.04
Ekowood Malaysia Sdn. Bhd. [i]	Malaysia	Supply and installation of timber flooring	100	100	-	-
EkoLoc System Sdn. Bhd. [i]	Malaysia	Sub-licensing of strip lock system	100	100	-	-
Ekowood (USA) Inc. [iii]	United States of America	Trading of wood products	100	100	-	-
Ekowood S.A. [iii]	Luxembourg	Dormant	70	70	30	30

22. INVESTMENTS IN SUBSIDIARIES (continued)

(g) The details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	% of effective ownership interest held by the Group 2018 %	2017 %	% of ownership held by non-controlling interest 2018 %	2017 %
Held through TSH Plantation Sdn. Bhd.						
TSH Plantation Management Sdn. Bhd. [i]	Malaysia	Operation of a palm oil mill	100	100	-	-
TSH Biotech Sdn. Bhd. [i]	Malaysia	Undertake oil palm ramets and other tissue culture projects	100	100	-	-
TSH Forest Plantation Sdn. Bhd. [i]	Malaysia	Forest plantation	100	100	-	-
Held through CocoaHouse Sdn. Bhd.						
PT Sinar Bersatu [iv]	Indonesia	Dormant	99	99	1	1
Afromal Cocoa Limited [iii/ii]	Ghana	Dormant	100	100	-	-
Held through Tan Soon Hong Holdings Sdn. Bhd.						
TSH Palm Products Sdn. Bhd. [i]	Malaysia	Oil palm plantations and investment holding	100	100	-	-
Held through TSH Palm Products Sdn. Bhd.						
Eko Pulp & Paper Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-

22. INVESTMENTS IN SUBSIDIARIES (continued)

(g) The details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	% of effective ownership interest held by the Group 2018 %	2017 %	% of ownership held by non-controlling interest 2018 %	2017 %
Held through TSH Sumbar Group Limited (f.k.a Andalas Agro Industri Limited)						
PT Andalas Agro Industri [iv]	Indonesia	Operation of a palm oil mill and investment holding	70	70	30	30
PT Andalas Wahana Berjaya [iv]	Indonesia	Oil palm plantations and operation of a palm oil mill	70	70	30	30
Held through TSH Oversea Pte. Ltd. (f.k.a Jatoba International Pte. Ltd.)						
PT Sarana Prima Multi Niaga [iv]	Indonesia	Oil palm plantations and operation of a palm oil mill	90	90	10	10
PT Teguh Swakarsa Sejahtera [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through PT Andalas Agro Industri						
PT Laras Internusa [iv]	Indonesia	Oil palm plantations	69.77	69.77	30.23	30.23
Held through TSH Global Plantation Pte. Ltd. (f.k.a Elaeis Oversea Pte. Ltd.)						
PT Farinda Bersaudara [iv]	Indonesia	Oil palm plantations and operation of a palm oil mill	90	90	10	10
Held through TSH Mitra Capital Pte. Ltd. (f.k.a Martinique Cove Pte. Ltd.)						
PT Mitra Jaya Cemerlang [iv]	Indonesia	Oil palm plantations	90	90	10	10

22. INVESTMENTS IN SUBSIDIARIES (continued)

(g) The details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	% of effective ownership interest held by the Group 2018 %	2017 %	% of ownership held by non-controlling interest 2018 %	2017 %
Held through GlobeFlex Advisory Sdn. Bhd.						
PT Karya Unggulan Cemerlang [iv]	Indonesia	Provision of management services	90	90	10	10
Held through TSH Logistics Sdn. Bhd.						
PT Bulungan Citra Agro Persada [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through Halaman Semesta Sdn. Bhd.						
PT Munte Waniq Jaya Perkasa [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through Bagan Agresif Sdn. Bhd.						
PT Andalas Wahana Sukses [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through Casa Logistic Sdn. Bhd.						
PT Perkebunan Sentawar Membangun [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through Rinukut Sdn. Bhd.						
RT Plantations Sdn. Bhd. [i]	Malaysia	Oil palm plantations	42	42	58	58
Held through Icon Field Ventures Sdn. Bhd.						
PT Prima Usaha Sukses [iv]	Indonesia	Oil palm plantations	90	90	10	10

[i] Audited by BDO, Malaysia.
[ii] These subsidiaries were placed under members' voluntary winding-up in the previous financial years.
[iii] Audited by BDO, Malaysia for the purpose of consolidation in the financial statements of the Group.
[iv] Not audited by BDO or member firms of BDO International.
[v] In the midst of striking off pursuant to Section 550 of the Companies Act 2016.
[vi] Audited by BDO Member Firms.

22. INVESTMENTS IN SUBSIDIARIES (continued)

(h) Material partly-owned subsidiaries

Summarised financial information of PT Andalas Agro Industri, TSH Oversea Pte. Ltd., TSH Global Plantation Pte. Ltd., LKSK Sdn. Bhd., Landquest Sdn. Bhd., Rinukut Sdn. Bhd. and PT Andalas Wahana Berjaya, which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests ("NCI") in respect of other subsidiaries is not material to the Group.

(i) Summarised statements of financial position

	PT Andalas Agro Industri		TSH Oversea Pte. Ltd.		TSH Global Plantation Pte.Ltd.		LKSK Sdn. Bhd.		Landquest Sdn. Bhd.		Rinukut Sdn. Bhd.		PT Andalas Wahana Berjaya	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets and liabilities														
Non-current assets	132,697	115,292	242,517	251,993	317,702	329,965	38,689	34,066	29,115	28,195	82,996	70,452	185,499	174,378
Current assets	29,884	48,939	41,427	40,794	48,589	27,676	4,310	4,834	690	1,712	6,557	6,533	13,461	20,286
Total assets	162,581	164,231	283,944	292,787	366,291	357,641	42,999	38,900	29,805	29,907	89,553	76,985	198,960	194,664
Current liabilities	10,794	21,069	16,688	28,234	12,306	12,447	618	649	385	187	86,927	75,252	5,245	5,887
Non-current liabilities	4,097	5,637	37,210	56,251	379,943	374,751	8,767	8,982	5,147	5,194	-	-	170,815	168,535
Total liabilities	14,891	26,706	53,898	84,485	392,349	387,198	9,385	9,631	5,532	5,381	86,927	75,252	176,060	174,422
Net assets	147,690	137,525	230,046	208,302	(25,958)	(29,557)	33,614	29,269	24,273	24,526	2,626	1,733	22,900	20,242
Carrying amounts of NCI	46,381	43,931	25,154	23,261	(1,896)	(3,127)	20,332	17,714	10,661	10,776	21,811	21,251	6,320	5,543

22. INVESTMENTS IN SUBSIDIARIES (continued)

(h) Material partly-owned subsidiaries (continued)

(ii) Summarised statements of comprehensive income

	PT Andalas Agro Industri		TSH Oversea Pte. Ltd.		TSH Global Plantation Pte. Ltd.		LKSK Sdn. Bhd.		Landquest Sdn. Bhd.		Rinukut Sdn. Bhd.		PT Andalas Wahana Berjaya	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Results														
Revenue	76,829	85,532	104,690	137,531	117,983	125,383	8,554	12,848	1,707	3,444	3,467	2,003	51,318	45,804
Profit/(Loss) for the year	21,315	28,216	23,509	39,552	1,533	(8,748)	1,059	12,988	(253)	877	893	770	2,682	16,576
Total comprehensive income/ (loss) for the year	20,815	27,683	23,592	39,440	1,797	(9,460)	1,059	12,988	(253)	877	893	770	2,701	16,271
Profit/(Loss) allocated to NCI	6,287	8,404	2,359	3,944	180	(946)	519	6,364	(110)	380	560	445	811	4,882

(iii) Summarised cash flows

	PT Andalas Agro Industri 2018	PT Andalas Agro Industri 2017	TSH Oversea 2018	TSH Oversea 2017	TSH Global 2018	TSH Global 2017	LKSK 2018	LKSK 2017	Landquest 2018	Landquest 2017	Rinukut 2018	Rinukut 2017	PT Andalas Wahana Berjaya 2018	PT Andalas Wahana Berjaya 2017
Net cash flows from/(used in) operating activities	26,085	62,500	(2,751)	(31,976)	(38,212)	10,697	811	16,018	910	2,162	1,476	1,208	12,365	2,067
Net cash flows (used in)/from investing activities	(8,887)	(31,824)	(2,522)	(20,419)	(21,967)	3,149	(503)	12,958	(1,522)	(463)	(12,543)	(13,267)	(16,500)	(20,565)
Net cash flows (used in)/from financing activities	(20,188)	(19,328)	15,100	54,505	61,096	(15,271)	(2,000)	(30,400)	-	(1,500)	10,931	11,341	4,275	19,314
Net (decrease)/increase in cash and cash equivalents	(2,990)	11,348	9,827	2,110	917	(1,425)	(1,692)	(1,424)	(612)	199	(136)	(718)	140	816
Effect of exchange rate changes	(503)	(427)	(230)	(549)	(206)	(889)	-	-	-	-	-	-	(68)	(109)
Cash and cash equivalents at beginning of the year	14,992	4,071	6,839	5,278	6,140	8,454	2,419	3,843	630	431	424	1,142	2,016	1,309
Cash and cash equivalents at end of the year	11,499	14,992	16,436	6,839	6,851	6,140	727	2,419	18	630	288	424	2,088	2,016

23. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Quoted shares in Malaysia, at cost	61,259	61,259	61,259	61,259
Share of post-acquisition reserves	18,329	19,246	-	-
	79,588	80,505	61,259	61,259
Fair value of investment in an associate for which there is published price quotation	64,087	122,921	64,087	122,921

(a) Investment in an associate is measured at cost in the separate financial statements of the Company and is accounted for using the equity method in the consolidated financial statements.

(b) The details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Effective interest 2018 %	Effective interest 2017 %
Innoprise Plantations Berhad *	Malaysia	Log extraction contractor, operation of oil palm plantations and palm oil mill, and producer and supplier of renewable energy	21.94	21.94

* *Not audited by BDO or member firms of BDO International.*

(c) The financial year end of the above associate is coterminous with those of the Group.

(d) The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

(i) Summarised statements of financial position

	2018 RM'000	2017 RM'000
Assets and liabilities		
Current assets	10,227	23,876
Non-current assets	375,624	377,908
Total assets	385,851	401,784
Current liabilities	34,533	35,717
Non-current liabilities	38,063	48,631
Total liabilities	72,596	84,348
Net assets	313,255	317,436

23. INVESTMENT IN AN ASSOCIATE (continued)

(d) The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows (continued):

(ii) Summarised statements of comprehensive income

	2018 RM'000	2017 RM'000
Results		
Revenue	114,222	138,211
Profit for the year	10,185	35,004
Total comprehensive income	10,185	35,004

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate.

	2018 RM'000	2017 RM'000
Net assets at 1 January	317,436	301,290
Total comprehensive income	10,185	35,004
Transaction with owners	(14,366)	(18,858)
Net assets at 31 December	313,255	317,436
Interest in associate (%)	21.94%	21.94%
	68,728	69,645
Goodwill	10,860	10,860
Carrying value of Group's interest in associate	79,588	80,505

(iv) Dividends received from associate during the financial year amounted to RM3,152,000 (2017: RM4,203,000).

(v) The fair value of quoted shares in Malaysia is determined by reference to the exchange quoted market bid prices at the close of the business at the end of the reporting period.

24. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares, at cost	20,750	20,750	20,750	20,750
Share of post-acquisition reserves	48,431	52,416	-	-
	69,181	73,166	20,750	20,750

24. INVESTMENTS IN JOINT VENTURES (continued)

The Group has 50% of the voting rights of its joint arrangements. Under the contractual arrangements, unanimous consent is required from all parties to the agreements for all relevant activities. The Group's interest in joint ventures is accounted for using the equity method in the consolidated financial statements. In the separate financial statements of the Company, investments in joint ventures are measured at cost.

The joint arrangements are structured via separate entities and provide the Group with the rights to the net assets of the entities under the arrangements. Therefore, these entities are classified as joint ventures of the Group.

(a) Details of the joint ventures are as follows:

Name of joint ventures	Country of incorporation	Principal activities	Effective interest 2018 %	Effective interest 2017 %
TSH-Wilmar Sdn. Bhd.*	Malaysia	Operation of palm oil refinery mill and kernel crushing plant	50	50
TSH-Wilmar (BF) Sdn. Bhd.*	Malaysia	Operation of a power plant	50	50

* *Audited by BDO, Malaysia.*

These joint ventures have the same reporting period as the Group.

(b) Summarised financial information of TSH-Wilmar Sdn. Bhd. and TSH-Wilmar (BF) Sdn. Bhd. is set out below. The summarised information represents the amounts in the financial statements of the joint ventures and not the Group's share of those amounts.

(i) Summarised statements of financial position

	TSH-Wilmar Sdn. Bhd.		TSH-Wilmar (BF) Sdn. Bhd.	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current assets	54,210	51,715	4,667	5,343
Cash and cash equivalents	66,439	16,416	295	334
Other current assets	238,072	311,903	5,791	13,269
Total current assets	304,511	328,319	6,086	13,603
Total assets	358,721	380,034	10,753	18,946
Current liabilities (excluding trade and other payables and provisions)	177,405	179,454	1,085	-
Trade and other payables and provisions	45,110	63,723	1,690	1,777
Total current liabilities	222,515	243,177	2,775	1,777
Non-current liabilities (excluding trade and other payables and provisions)	4,462	5,626	696	803
Total liabilities	226,977	248,803	3,471	2,580
Net assets	131,744	131,231	7,282	16,366

24. INVESTMENTS IN JOINT VENTURES (continued)

(b) Summarised financial information of TSH-Wilmar Sdn. Bhd. and TSH-Wilmar (BF) Sdn. Bhd. is set out below. The summarised information represents the amounts in the financial statements of the joint ventures and not the Group's share of those amounts. (continued)

(ii) Summarised statements of comprehensive income

	TSH-Wilmar Sdn. Bhd.		TSH-Wilmar (BF) Sdn. Bhd.	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	1,627,087	2,134,330	26,433	28,755
Depreciation and amortisation	2,300	2,052	675	5,576
Interest income	644	924	324	201
Interest expense	(6,612)	(5,126)	-	-
(Loss)/Profit before tax	(454)	6,239	11,574	6,999
Taxation	967	(226)	(2,658)	1,176
Profit after tax, represent total comprehensive income	513	6,013	8,916	8,175

(c) Reconciliations of the summarised financial information presented above to the carrying amount of the Group's interest in joint ventures are as follows:

	TSH-Wilmar Sdn. Bhd.		TSH-Wilmar (BF) Sdn. Bhd.	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net assets at 1 January	131,231	145,218	16,366	8,191
Profit for the year	513	6,013	8,916	8,175
Dividends	-	(20,000)	(18,000)	-
Net assets at 31 December	131,744	131,231	7,282	16,366
Interests in joint ventures	50%	50%	50%	50%
	65,872	65,616	3,641	8,183
Unrealised profit on inventories	(332)	(633)	-	-
Carrying value of Group's interests in joint ventures	65,540	64,983	3,641	8,183

Dividends received from joint ventures during the financial year amounted to RM9,000,000 (2017: RM10,000,000).

25. DEFERRED TAX

(a) Deferred tax as at 31 December related to the following:

Group	At 1 January 2017 RM'000	Recognised in profit or loss (Note 15) RM'000	Exchange differences RM'000	At 31 December 2017/ 1 January 2018 RM'000	Recognised in profit or loss (Note 15) RM'000	Exchange differences RM'000	At 31 December 2018 RM'000
Deferred tax liabilities:							
Property, plant and equipment	96,462	5,732	(1,421)	100,773	(3,305)	(2,271)	95,197
Biological assets	82,360	(6,270)	32	76,122	(2,616)	10	73,516
Land use rights	17,081	(891)	(1,705)	14,485	(781)	(289)	13,415
Others	4,906	1,842	(830)	5,918	2,802	(119)	8,601
	200,809	413	(3,924)	197,298	(3,900)	(2,669)	190,729
Deferred tax assets:							
Tax losses and unabsorbed capital allowances	(51,144)	(712)	1,215	(50,641)	(5,542)	171	(56,012)
Others	(16,950)	(635)	2,403	(15,182)	3,643	418	(11,121)
	(68,094)	(1,347)	3,618	(65,823)	(1,899)	589	(67,133)
	132,715	(934)	(306)	131,475	(5,799)	(2,080)	123,596

Notes to the Financial Statements
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25. DEFERRED TAX (continued)

(a) Deferred tax as at 31 December related to the following (continued):

Company	At 1 January 2017 RM'000	Recognised in profit or loss (Note 15) RM'000	Recognised in other comprehensive income RM'000	At 31 December 2017/ 1 January 2018 RM'000	Recognised in profit or loss (Note 15) RM'000	Recognised in other comprehensive income RM'000	At 31 December 2018 RM'000
Deferred tax liabilities:							
Property, plant and equipment	15,921	(45)	-	15,876	(267)	-	15,609
Biological assets	63,901	224	-	64,125	(4,769)	-	59,356
	79,822	179	-	80,001	(5,036)	-	74,965
Deferred tax assets:							
Tax losses and unabsorbed capital allowances	(41,352)	(3,580)	-	(44,932)	489	-	(44,443)
Others	(5,333)	957	-	(4,376)	(2,088)	-	(6,464)
	(46,685)	(2,623)	-	(49,308)	(1,599)	-	(50,907)
	33,137	(2,444)	-	30,693	(6,635)	-	24,058

25. DEFERRED TAX (continued)

(b) Presented after appropriate offsetting:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deferred tax assets, net*	(14,606)	(19,304)	-	-
Deferred tax liabilities, net*	138,202	150,779	24,058	30,693
	123,596	131,475	24,058	30,693

* The amount of set-off between deferred tax assets and deferred tax liabilities was RM52,527,000 (2017: RM46,519,000) for the Group.

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018 RM'000	**2017 RM'000**
Unused tax losses	93,313	85,378
Unabsorbed capital allowances	10,810	8,326
Other deductible temporary differences	19,107	22,066
	123,230	115,770

(c) Unused tax losses

Unused tax losses of certain foreign subsidiaries amounting to RM12,502,000 (2017: RM12,234,000) and RM32,067,000 (2017: RM39,158,000) are available for carry forward in the jurisdiction in which the foreign subsidiaries operate for a period of 20 years and 5 years respectively from the year in which those tax losses arose.

For the Malaysian entities, the unused tax losses up to the year of assessment 2018 shall be deductible until year of assessment 2025. The unused tax losses for the year of assessment 2019 onwards will expire in 7 years.

(d) Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability has been recognised for taxes that would be payable on the non-distributable earnings of certain of the Group's foreign subsidiaries as the Group has determined that the undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

26. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current				
Trade receivables				
Third parties	32,507	42,654	125	154
Joint ventures	-	5,717	-	-
Retention sums on contract (Note 30)	2,079	2,338	-	-
	34,586	50,709	125	154
Less: Allowance for impairment				
Third parties	(9,459)	(10,103)	-*	-*
Trade receivables, net	25,127	40,606	125	154
Other receivables				
Amounts due from related parties:				
- subsidiaries	-	-	120,518	79,470
- joint ventures	197	262	15	11
	197	262	120,533	79,481
Less: Allowance for impairment	-	-	(155)	(71)
	197	262	120,378	79,410
Plasma receivables (Note 26(b)(ii))	1,476	19,432	-	-
Other deposits	2,220	1,733	357	323
Sundry receivables	24,838	24,337	4,508	3,979
	28,731	45,764	125,243	83,712
Less: Allowance for impairment	(1,441)	(2,783)	(1,281)	(1,273)
	27,290	42,981	123,962	82,439
	52,417	83,587	124,087	82,593
Non-current				
Other receivables				
Amounts due from subsidiaries	-	-	884,648	909,364
Plasma receivables (Note 26(b)(ii))	52,371	42,837	-	-
Prepayment for acquisition of land use rights	32,654	41,758	-	-
Sundry receivables	8,030	8,369	-	-
	93,055	92,964	884,648	909,364
Less: Allowance for impairment	(13,974)	(12,807)	(22,098)	(18,383)
	79,081	80,157	862,550	890,981

26. TRADE AND OTHER RECEIVABLES (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total trade and other receivables (current and non-current)	131,498	163,744	986,637	973,574
Less: Prepayment for acquisition of land use rights	(32,654)	(41,758)	-	-
Add: Cash and bank balances and deposits (Note 32)	108,003	139,280	36,734	41,231
Total financial assets at amortised cost	206,847	261,266	1,023,371	1,014,805

* The expected credit loss is immaterial.

Trade and other receivables are classified as financial assets and measured at amortised cost.

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2017: 30 to 90 days) terms. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

The ageing analysis of the Group's and of the Company's trade receivables are as follows:

	2018		
Group	**Gross carrying amount RM'000**	**Loss allowance RM'000**	**Net balance RM'000**
Current	14,582	(5)	14,577
Past due			
- 1 to 30 days	3,737	(58)	3,679
- 31 to 60 days	1,395	(69)	1,326
- 61 to 90 days	1,693	(14)	1,679
- 91 to 120 days	292	(80)	212
- More than 121 days	4,181	(527)	3,654
	11,298	(748)	10,550
Credit impaired			
Individually impaired	8,706	(8,706)	-
	34,586	(9,459)	25,127

26. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

The ageing analysis of the Group's and of the Company's trade receivables are as follows (continued):

	2017		
	Gross carrying amount RM'000	**Loss allowance RM'000**	**Net balance RM'000**
Current	21,897	(53)	21,844
Past due			
- 1 to 30 days	12,941	(71)	12,870
- 31 to 60 days	1,352	(1)	1,351
- 61 to 90 days	552	(1)	551
- 91 to 120 days	52	(22)	30
- More than 121 days	4,628	(668)	3,960
	19,525	(763)	18,762
Credit impaired			
Individually impaired	9,287	(9,287)	-
	50,709	(10,103)	40,606

	2018		
Company	**Gross carrying amount RM'000**	**Loss allowance RM'000**	**Net balance RM'000**
Current	114	-	114
Past due			
- 1 to 30 days	9	-	9
- 31 to 60 days	1	-	1
- More than 121 days	1	-	1
	125	-	125

	2017		
	Gross carrying amount RM'000	**Loss allowance RM'000**	**Net balance RM'000**
Current	89	-	89
Past due			
- More than 121 days	65	-	65
	154	-	154

26. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

Impairment loss

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group consider credit loss experience and observable data such as current changes and future forecasts in economic conditions by market segment of the Group as identified in Note 4 to the financial statements to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information i.e. Gross Domestic Product (GDP) and crude palm oil prices and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within other expenses in the consolidated statements of comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

Movements in allowance for impairment accounts are as follows:

Group	Lifetime ECL* allowance RM'000	Credit impaired RM'000	Total allowance RM'000
At 1 January 2018	815	9,288	10,103
Charge for the financial year	277	-	277
Reversal of impairment loss	(330)	(459)	(789)
Written off	-	(23)	(23)
Exchange differences	(9)	(100)	(109)
At 31 December 2018	753	8,706	9,459
At 1 January 2017	2,433	8,396	10,829
Charge for the financial year	282	1,393	1,675
Reversal of impairment loss	(1,953)	-	(1,953)
Exchange differences	54	(502)	(448)
At 31 December 2017	816	9,287	10,103

** Expected credit losses*

26. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

Impairment loss (continued)

Credit impaired refers to individually determined debtors who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.

As at the end of each reporting period, the credit risk exposures relating to trade receivables of the Group are summarised in the table below:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Maximum exposure	25,127	40,606
Collateral obtained	(8,432)	(5,999)
Net exposure to credit risk	16,695	34,607

The above collaterals are trade credit insurance underwritten by a reputable insurer in Malaysia.

The maximum exposures to credit risk of trade receivables of the Company are represented by the carrying amounts of trade receivables recognised in the statement of financial position. These receivables are not secured by any collateral or credit enhancement.

(b) Other receivables

(i) Impairment for other receivables (included plasma receivables) are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which credit risk had increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment by other receivables are adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit loss for other receivables.

It requires management to exercise significant judgement in determining the probability of default by other receivables, appropriate forward looking information, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.

26. TRADE AND OTHER RECEIVABLES (continued)

(b) Other receivables (continued)

(i) Movements in allowance for impairment accounts for current and non-current other receivables (included plasma receivables) are as follows:

Group	Lifetime ECL allowance RM'000	Credit impaired RM'000	Total allowance RM'000
At 1 January 2018	9,455	6,135	15,590
Charge for the financial year	1,718	505	2,223
Reversal of impairment loss	(1,340)	(587)	(1,927)
Exchange differences	(375)	(96)	(471)
At 31 December 2018	9,458	5,957	15,415
At 1 January 2017	9,112	8,317	17,429
Charge for the financial year	1,274	17	1,291
Reversal of impairment loss	(665)	(1,451)	(2,116)
Exchange differences	(266)	(748)	(1,014)
At 31 December 2017	9,455	6,135	15,590

Company	Lifetime ECL allowance RM'000	Credit impaired RM'000	Total allowance RM'000
At 1 January 2018	3	1,270	1,273
Charge for the financial year	8	-	8
At 31 December 2018	11	1,270	1,281
At 1 January 2017	8	1,270	1,278
Reversal of impairment loss	(5)	-	(5)
At 31 December 2017	3	1,270	1,273

Credit impaired refers to individually determined debtors who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.

(ii) Plasma receivables

The Indonesian government requires oil palm plantation companies to develop new plantations together with the local small landholders. This form of assistance to local small landholders is generally known as the "Plasma Scheme". Once developed, the plasma plantations are transferred to the small landholders who then operate the plasma plantations under the supervision of the developer. In line with this requirement, certain subsidiaries have commitments to develop plantations under the Plasma Scheme. The funding for the development of the plantations under the Plasma Scheme is provided by the designated banks and/or by the subsidiaries. The subsidiaries also provide corporate guarantees for the loans advanced by the banks.

26. TRADE AND OTHER RECEIVABLES (continued)

(b) Other receivables (continued)

(ii) Plasma receivables (continued)

When the plasma plantations start to mature, the plasma farmers are obliged to sell all their harvests to the subsidiaries and a pre-determined portion of the resulting proceeds will be used to repay the loans from the banks and/or the subsidiaries.

The Group through this partnership scheme also provides technical assistance to the plasma farmers to maintain the productivity of plasma plantations as part of the Group's strategy to strengthen relationship with plasma farmers. This is expected to improve the repayments of plasma receivables.

The accumulated development costs net of funds received are presented as plasma receivables in the consolidated statement of financial position under the Palm Products segment. An analysis of the movements in the plasma receivables is as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Balance at 1 January	62,269	52,103
(Net repayments from)/Additional net investments	(8,422)	10,166
	53,847	62,269
Less: Allowance for impairment	(9,583)	(9,677)
Balance at 31 December	44,264	52,592

(iii) Included in sundry receivables of the Group are value-added-tax receivables amounting RM11,143,000 (2017: RM5,631,000).

(iv) Prepayment for acquisition of land use rights

The balance represents prepayments for acquisition of rights to use parcels of land located in Indonesia. The net carrying amount of the Group's prepayments for purchase of land use rights as of 31 December 2018 amounted to RM32,654,000 (2017: RM41,758,000). An amount of RM9,104,000 (2017: Nil) of prepayment for acquisition of land use rights has been transferred to land use rights during the financial year.

(v) Non-current receivables are carried at amortised cost and the discount rates used are based on the incremental borrowing rate of the Group.

26. TRADE AND OTHER RECEIVABLES (continued)

(c) Amounts due from subsidiaries

Non-current amounts due from subsidiaries of RM884,648,000 (2017: RM909,364,000) bear interest at rates ranging from 2.75% to 5.50% (2017: 5.50%) per annum, which are unsecured and not payable within the next twelve (12) months.

Except for the current amounts due from certain subsidiaries totalling RM73,527,000 (2017: RM76,491,000) that bear interest at rates ranging from 4.50% to 8.40% (2017: 4.50% to 8.15%) per annum, the current amounts due from other subsidiaries are non-interest bearing, unsecured and are payable within the next twelve (12) months in cash and cash equivalents.

Sensitivity analysis for fixed rate interest bearing amounts due from subsidiaries as at the end of the reporting period was not presented as they are not affected by changes in interest rates.

Impairment for amounts due from subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 26(b) to the financial statements.

Movements in the allowance for impairment accounts for amounts due from subsidiaries are as follows:

	Lifetime ECL allowance	
Company	**2018 RM'000**	**2017 RM'000**
At 1 January	18,454	22,520
Charge for the financial year	3,859	712
Reversal of impairment loss	(60)	(4,778)
At 31 December	22,253	18,454

(d) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of reporting period are as follows:

	Group			
	2018		2017	
	RM'000	**% of total**	**RM'000**	**% of total**
By industry sectors:				
Palm products	7,879	31%	21,649	53%
Others	17,248	69%	18,957	47%
	25,127	100%	40,606	100%

As at the end of the reporting period, approximately:

- Nil (2017: 14%) of the trade receivables of the Group were due from related parties.
- 34% (2017: 32%) of the trade and other receivables of the Group were due from plasma receivables.
- 99% (2017: 99%) of the trade and other receivables of the Company were due from subsidiaries.

27. INVESTMENT SECURITIES

	2018 RM'000	2017 RM'000
Group and Company		
Current		
- Equity instruments (quoted in Malaysia)	8	27
Non-current		
- Equity instruments (unquoted)	50	50
Total investment securities	58	77

(a) The equity instruments were classified as financial assets at fair value through profit or loss pursuant to MFRS 9 *Financial Instruments*.

(b) All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

(c) Fair value of quoted ordinary shares in Malaysia is determined by reference to the exchange quoted market bid prices at the close of the business on the end of the reporting period.

(d) The fair value of quoted and unquoted equity instruments of the Group and of the Company is categorised as Level 1 and Level 3 respectively in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(e) The amount of unquoted shares is immaterial to the Group and the Company.

(f) The following table shows a reconciliation of Level 3 fair values:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Balance at 1 January	50	50	50	50
Fair value changes	-	-	-	-
Balance at 31 December	50	50	50	50

(g) Sensitivity analysis for equity price risk

At the end of the reporting period, if the FTSE Bursa Malaysia KLCI had been 5% higher/lower, with all other variables held constant, the impact to the Group's and the Company's profit/(loss) net of tax would be minimal.

28. INVENTORIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost				
Raw materials	13,972	10,480	-	-
Work-in-progress	2,253	24,397	-	-
Finished goods	41,851	75,327	2,254	947
Stores and supplies	73,602	77,949	812	759
	131,678	188,153	3,066	1,706
Net realisable value				
Work-in-progress	27,376	3,984	-	-
Finished goods	40,954	19,400	-	-
	68,330	23,384	-	-
	200,008	211,537	3,066	1,706

(a) Cocoa products are valued on the first-in first-out method whereas oil palm and wood products are valued on the weighted average method.

(b) During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company were RM609,718,000 (2017: RM698,382,000) and RM4,620,000 (2017: RM4,810,000) respectively.

(c) A write off of inventories amounting to RM2,034,000 (2017: Nil) and RM144,000 (2017: Nil) were made by the Group and by the Company respectively during the financial year.

(d) A write down of inventories to net realisable value of RM45,000 (2017: RM4,108,000) was made by the Group during the financial year.

(e) The Group reversed RM184,000 (2017: RM195,000) in respect of inventories written down in the previous financial years that was subsequently not required as the Group was able to sell those inventories above their carrying amounts.

29. OTHER CURRENT ASSETS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Contract assets (Note 30)	50	65	-	-
Prepayments	21,063	18,321	27	25
	21,113	18,386	27	25

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30. CONTRACT ASSETS/LIABILITIES

	Group 2018 RM'000	Group 2017 RM'000
Installation service costs incurred to date	29,318	28,136
Attributable profits	5,483	5,872
	34,801	34,008
Less: Progress billings	(34,825)	(33,943)
Contract (liabilities)/assets		
Construction contracts	(24)	65
Advances received on contracts, included within other payables (Note 38)	(96)	(202)
Retention sums on contract, included within trade receivables (Note 26)	2,079	2,338
Analysed as follows:		
Contract assets (Note 29)	50	65
Contract liabilities (Note 38)	(74)	-
	(24)	65

The Group provides flooring installation works on contract basis for timber flooring supplied to customers.

(a) Construction contracts

Construction contracts represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Contract liabilities are recognised as revenue when performance obligations are satisfied.

There were no significant changes in the contract assets and liabilities during the financial year.

(b) Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

	Group 2019 RM'000	Group 2020 RM'000	Group Total RM'000
Deferred revenue	41	-	41

(c) No expected credit loss is recognised arising from contract assets as it is negligible.

31. DERIVATIVES

	2018			2017		
	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000
Group						
Non-hedging derivatives:						
Current						
Forward currency contracts	35,095	687	-	29,685	376	-
Commodity futures contracts	27,571	112	(689)	60,945	5,048	(124)
		799	(689)		5,424	(124)
Company						
Non-hedging derivatives:						
Current						
Commodity futures contracts	-	-	-	606	45	-

(a) Derivative assets are classified as financial assets measured at fair value through profit or loss whereas derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.

(b) The Group uses forward currency contracts and commodity futures contract to manage some of its transactions exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales denominated in USD, GBP and Euro.

(c) The commodity futures contracts are used to hedge prices fluctuation of CPO and cocoa commodity.

(d) During the financial year, the Group and the Company recognised a net loss of RM5,190,000 (2017: net gain of RM14,707,000) and net loss of RM45,000 (2017: net gain of RM193,000) respectively arising from fair value changes of derivative assets and derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

(e) Fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Fair value of outstanding commodity future contracts is calculated by reference to quoted market prices.

31. DERIVATIVES (continued)

(f) The maturity profile of derivative liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2018				
Derivative liabilities	689	-	-	689
As at 31 December 2017				
Derivative liabilities	124	-	-	124

(g) Commodity future contracts are categorised as Level 1 in the fair value hierarchy, whilst forward currency contracts are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

32. CASH AND BANK BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash at banks and on hand	86,913	90,735	25,821	31,442
Deposits with licensed banks	21,090	48,545	10,913	9,789
Cash and bank balances	108,003	139,280	36,734	41,231

(a) Cash and bank balances are classified as financial assets and measured at amortised cost.

(b) Deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates.

The effective interest rate of deposits with both licensed banks of the Group and of the Company ranged from 1.75% to 6.75% (2017: 1.75% to 6.65%) and 2.30% to 3.10% (2017: 2.30% to 2.95%) per annum respectively.

(c) Deposits with licensed banks of the Group amounting to RM4,759,000 (2017: RM6,114,000) are pledged as securities for bank guarantees facilities granted.

32. CASH AND BANK BALANCES (continued)

(d) For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances and deposits	108,003	139,280	36,734	41,231
Less:				
Bank overdrafts (Note 36)	(9)	(3,376)	-	-
Deposits pledged with licensed banks	(4,759)	(6,114)	-	-
Deposits with maturity of over 3 months	(3,392)	(1,886)	(2,917)	-
Cash and cash equivalents	99,843	127,904	33,817	41,231

(e) Sensitivity analysis for cash and bank balances at the end of the reporting period is not presented as fixed rate instrument is not affected by changes in interest rates.

(f) No expected credit losses were recognised arising from deposits with licensed banks because the probability of default by these financial institutions were negligible.

33. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of ordinary shares		Amount			
	Share capital (issued and fully paid) '000	Treasury shares '000	Share capital (Issued and fully paid) RM'000	Share premium RM'000	Total share capital and share premium RM'000	Treasury shares RM'000
At 1 January 2017	1,345,412	(4)	672,706	1,301	674,007	(8)
Issuance of ordinary shares for privatisation undertaken, net of expenses	11,390	-	21,834	-	21,834	-
Issuance of ordinary shares for private placement, net of expenses	25,000	-	41,227	-	41,227	-
Transfer pursuant to Companies Act 2016	-	-	4,745	(1,301)	3,444	-
At 31 December 2017	1,381,802	(4)	740,512	-	740,512	(8)
At 1 January 2018/ 31 December 2018	1,381,802	(4)	740,512	-	740,512	(8)

33. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

(a) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one (1) vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) In the previous financial year, the Company increased its number of issued and fully paid-up ordinary shares by way of issuance of:

(i) 11,390,066 ordinary shares at RM1.92 each pursuant to the privatisation of a subsidiary, Ekowood International Berhad, undertaken by the Company; and

(ii) 25,000,000 ordinary shares for private placement at RM1.65 each for cash.

(c) With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished. Consequently, balance within the share premium account and capital redemption reserve of RM1,301,000 and RM3,444,000 respectively were transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

Treasury shares

Reacquired shares are classified as treasury shares, recognised based on the amount of consideration paid and presented as a deduction from total equity.

This amount relates to the acquisition cost of treasury shares. The shareholders of the Company, by an ordinary resolution passed in an annual general meeting held on 24 May 2018, renewed their approval for the Company's plan to repurchase its own ordinary shares. 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 Company did not make any purchase of its own shares and none of the treasury shares held were resold or cancelled during the financial year.

Of the total 1,381,802,509 (2017: 1,381,802,509) issued and fully paid ordinary shares as at 31 December 2018, 4,000 (2017: 4,000) are held as treasury shares by the Company. As at 31 December 2018, the number of outstanding ordinary shares in issue after set off is therefore 1,381,798,509 (2017: 1,381,798,509) ordinary shares.

34. OTHER RESERVES

Group	Capital reserve RM'000	Foreign currency translation reserve RM'000	Share of associate reserve RM'000	Total RM'000
At 31 December 2017 / 1 January 2018	9,630	(182,830)	99	(173,101)
Other comprehensive loss:				
Foreign currency translations	-	(54,482)	-	(54,482)
	-	(54,482)	-	(54,482)
At 31 December 2018	9,630	(237,312)	99	(227,583)
At 31 December 2016 / 1 January 2017	13,074	(1,161)	124	12,037
Other comprehensive loss:				
Foreign currency translations	-	(181,669)	-	(181,669)
	13,074	(182,830)	124	(169,632)
Exercise of equity-settled employees share options by an associate	-	-	(25)	(25)
Transfer pursuant to Companies Act 2016	(3,444)	-	-	(3,444)
	(3,444)	-	(25)	(3,469)
At 31 December 2017	9,630	(182,830)	99	(173,101)

Company	Capital reserve RM'000
At 31 December 2016 / 1 January 2017	3,444
Transfers pursuant to Companies Act 2016	(3,444)
At 31 December 2017	-

The nature and purpose of each category of reserve are as follows:

(a) Capital reserve

This reserve comprises all the amounts capitalised arising from the redemption of non-cumulative redeemable preference shares in the subsidiaries and cancellation of treasury shares.

With the introduction of the Companies Act 2016 effective 31 January 2017, the amount of RM3,444,000 within the capital reserve were transferred to the share capital account as disclosed in Note 33 to the financial statements.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items, which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

34. OTHER RESERVES (continued)

(c) Share of associate reserve

This reserve represents the Group's share of reserve of the associate arising from the share options granted by the associate to its employees.

35. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings under the single tier system.

36. LOANS AND BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short term borrowings				
Secured:				
Term loans	23,989	32,785	23,989	32,785
	23,989	32,785	23,989	32,785
Unsecured:				
Bank overdrafts	9	3,376	-	-
Bankers' acceptances	154,149	168,440	-	-
Foreign currency import loan	146	121	-	-
Revolving credits	385,125	294,068	379,125	288,067
Term loans	74,700	70,300	64,700	60,300
Sukuk Ijarah Medium Term Notes	25,000	30,000	-	-
Sukuk Musyarakah Medium Term Notes	-	50,000	-	-
	639,129	616,305	443,825	348,367
	663,118	649,090	467,814	381,152
Long term borrowings				
Secured:				
Term loans	89,338	100,269	89,338	100,269
	89,338	100,269	89,338	100,269
Unsecured:				
Term loans	278,299	273,165	273,299	258,165
Sukuk Ijarah Medium Term Notes	275,000	270,000	-	-
Sukuk Murabahah Medium Term Notes	150,000	150,000	-	-
	703,299	693,165	273,299	258,165
	792,637	793,434	362,637	358,434

36. LOANS AND BORROWINGS (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total borrowings				
Bank overdrafts	9	3,376	-	-
Bankers' acceptances	154,149	168,440	-	-
Foreign currency import loan	146	121	-	-
Revolving credits	385,125	294,068	379,125	288,067
Terms loans	466,326	476,519	451,326	451,519
Sukuk Ijarah Medium Term Notes	300,000	300,000	-	-
Sukuk Murabahah Medium Term Notes	150,000	150,000	-	-
Sukuk Musyarakah Medium Term Notes	-	50,000	-	-
	1,455,755	1,442,524	830,451	739,586

(a) Borrowings are classified as financial liabilities and measured at amortised cost.

(b) The effective interest rates per annum of loans and borrowings as at the end of the reporting period were as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Floating rate				
Bank overdrafts	7.10 - 8.00	7.10 - 8.19	-	-
Bankers' acceptances	3.49 - 4.82	3.20 - 4.50	-	-
Foreign currency import loan	0.57 - 3.19	0.52 - 2.22	-	-
Revolving credits	2.45 - 5.31	1.90 - 5.06	2.45 - 4.55	1.90 - 4.73
Terms loans	2.35 - 5.58	3.27 - 5.31	2.35 - 5.58	3.27 - 5.31
Fixed rate				
Sukuk Ijarah Medium Term Notes	4.58 - 5.30	4.58 - 5.30	-	-
Sukuk Murabahah Medium Term Notes	5.10 - 5.30	5.10 - 5.30	-	-
Sukuk Musyarakah Medium Term Notes	-	4.50	-	-

36. LOANS AND BORROWINGS (continued)

(c) The Sukuk Murabahah Medium Term Notes, Sukuk Ijarah Medium Term Notes and Sukuk Musyarakah Medium Term Notes comprise the following tranches:

Tranche no.	Coupon rates	Maturity	2018 RM'000	2017 RM'000
Sukuk Murabahah Medium Term Notes				
Tranche 1	5.10%	2021	60,000	60,000
Tranche 2	5.30%	2023	90,000	90,000
			150,000	150,000
Sukuk Ijarah Medium Term Notes				
Tranche 23	5.10%	2018	-	30,000
Tranche 19	4.58%	2019	25,000	25,000
Tranche 24	5.23%	2020	30,000	30,000
Tranche 25	5.30%	2023	15,000	15,000
Tranche 26	5.10%	2021	35,000	35,000
Tranche 27	5.05%	2021	115,000	115,000
Tranche 28	5.10%	2022	50,000	50,000
Tranche 29	5.10%	2023	30,000	-
			300,000	300,000
Sukuk Musyarakah Medium Term Notes				
Tranche 1	4.50%	2018	-	50,000

(d) The borrowings of the Group and of the Company are secured by the following:

(i) A letter of negative pledge over the assets of the Company with certain bankers; and

(ii) Certain landed properties of the Group as follows:

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment:		
- buildings	52,836	38,444
- bearer plants	243,846	574,881
Land use rights	17,969	29,143
	314,651	642,468

36. LOANS AND BORROWINGS (continued)

(e) Sukuk Ijarah Medium Term Notes

The Sukuk Programme is structured under the Shariah principle of Ijarah. TSH Sukuk Ijarah Sdn. Bhd., a wholly owned subsidiary of the Company, is the issuer of this programme.

The Sukuk Ijarah Medium Term Notes Programme will expire in 15 years respectively from the date of the first issuance. The profit rate for Medium Term Notes shall be determined at the point of issuance.

The Sukuk Ijarah Medium Term Notes was fully utilised as at 31 December 2018 and 31 December 2017.

(f) Sukuk Murabahah Medium Term Notes

TSH Sukuk Murabahah Sdn. Bhd., a wholly owned subsidiary of the Company, has issued the first series of Sukuk Murabahah Medium Term Notes amounted RM60,000,000 and RM90,000,000, in nominal value, for tenure of 5 years and 7 years respectively in June 2016.

The Sukuk Murabahah Medium Term Notes was fully utilised as at 31 December 2018 and 31 December 2017.

(g) Sukuk Musyarakah Medium Term Notes

The Kafalah Facility Agreement undertaken by a subsidiary, TSH Sukuk Musyarakah Sdn. Bhd. was guaranteed by Danajamin National Berhad ("Danajamin"). The Islamic financial guarantee facility granted by Danajamin was in accordance with the Shariah principle of Kafalah to guarantee the subsidiary's payment obligations under the Purchase Undertaking.

The Sukuk Musyarakah Medium Term Notes would expire in 7 years from the date of the first issuance in April 2011. The profit rate shall be determined at the point of issuance.

The Sukuk Musyarakah Medium Term Notes expired and was fully repaid during the financial year.

(h) The maturity of the term loans is as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Not later than 1 year	98,689	103,085	88,689	93,085
Later than 1 year and not later than 2 years	112,638	118,413	107,638	108,413
Later than 2 years and not later than 3 years	108,260	110,316	108,260	105,316
Later than 3 years and not later than 4 years	60,147	84,360	60,147	84,360
Later than 4 years and not later than 5 years	48,878	28,942	48,878	28,942
Later 5 years or more	37,714	31,403	37,714	31,403
	466,326	476,519	451,326	451,519

36. LOANS AND BORROWINGS (continued)

(i) The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair value due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

The carrying amounts of Sukuk Murabahah Medium Term Notes, Sukuk Ijarah Medium Term Notes and Sukuk Musyarakah Medium Term Notes, which bear fixed interest rates are reasonable approximation of their fair values and would not be significantly different from the values that would eventually be settled.

The fair value of borrowings is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(j) The maturity profile of loans and borrowings of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2018				
Loans and borrowings	705,433	836,053	47,508	1,588,994
As at 31 December 2017				
Loans and borrowings	688,006	745,248	151,144	1,584,398
Company				
As at 31 December 2018				
Loans and borrowings	486,591	353,428	47,508	887,527
As at 31 December 2017				
Loans and borrowings	396,377	348,774	40,977	786,128

(k) At the end of the reporting period, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit/(loss) net of tax would have been RM1,252,000 (2017: RM1,160,000) and RM1,538,000 (2017: RM1,367,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense (net of interest expense capitalised) on loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

36. LOANS AND BORROWINGS (continued)

(l) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities.

	1.1.2018 RM'000	Cash flows RM'000	Non-cash changes RM'000	31.12.2018 RM'000
Group				
Bankers' acceptances	168,440	(14,291)	-	154,149
Foreign currency import loan	121	28	(3)	146
Revolving credits	294,068	82,802	8,255	385,125
Terms loans	476,519	(12,503)	2,310	466,326
Sukuk Murabahah Medium Term Notes	150,000	-	-	150,000
Sukuk Ijarah Medium Term Notes	300,000	-	-	300,000
Sukuk Musyarakah Medium Term Notes	50,000	(50,000)	-	-
Loans and borrowings	1,439,148	6,036	10,562	1,455,746
Company				
Revolving credits	288,067	82,803	8,255	379,125
Terms loans	451,519	(2,503)	2,310	451,326
Loans and borrowings	739,586	80,300	10,565	830,451

	1.1.2017 RM'000	Cash flows RM'000	Non-cash changes RM'000	31.12.2017 RM'000
Group				
Bankers' acceptances	181,416	(12,976)	-	168,440
Foreign currency import loan	394	(277)	4	121
Revolving credits	322,972	(17,230)	(11,674)	294,068
Terms loans	522,060	(31,590)	(13,951)	476,519
Sukuk Musyarakah Medium Term Notes	50,000	-	-	50,000
Sukuk Murabahah Medium Term Notes	150,000	-	-	150,000
Sukuk Ijarah Medium Term Notes	300,000	-	-	300,000
Loans and borrowings	1,526,842	(62,073)	(25,621)	1,439,148

Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

36. LOANS AND BORROWINGS (continued)

(l) Reconciliation of liabilities arising from financing activities (continued)

	1.1.2017 RM'000	Cash flows RM'000	Non-cash changes RM'000	31.12.2017 RM'000
Company				
Revolving credits	300,772	(1,031)	(11,674)	288,067
Terms loans	492,060	(26,590)	(13,951)	451,519
Loans and borrowings	792,832	(27,621)	(25,625)	739,586

37. RETIREMENT BENEFITS

	Group 2018 RM'000	Group 2017 RM'000
At 1 January	15,636	14,582
Charge for the year recognised in profit or loss	3,907	3,409
Interest cost	1,012	925
Current service cost	2,895	3,905
Past service cost	-	(1,421)
Recognised in other comprehensive income:		
Actuarial losses arising from changes in assumption in respect of:		
- current year	870	1,902
	870	1,902
Actual benefit payment	(3,819)	(2,514)
Exchange differences	(510)	(1,743)
At 31 December	16,084	15,636
The amounts recognised on the statements of financial position are determined as follows:		
Present value of obligations	16,084	15,636
Net liabilities	16,084	15,636

37. RETIREMENT BENEFITS (continued)

(a) The Group provides additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labour Law No. 13/2003 (the "Labour Law"). The said additional provisions, which are unfunded, are estimated using actuarial calculations. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

(b) The Group's obligation under the defined benefit plan is determined based on the latest actuarial valuations by an independent actuary in January and February 2019.

(c) Principal actuarial assumptions used at the end of the reporting period in respect of the Group's defined benefit plans are as follows:

	2018	**2017**
	%	**%**
Discount rate	8.50	7.25
Expected return of salary increase	4.00	4.00

(d) The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming if all other assumptions were held constant:

		31 December 2018 Impact on defined benefits obligation Increase/(Decrease) RM'000	**31 December 2017 Impact on defined benefits obligation Increase/(Decrease) RM'000**
Discount rate	+ 1%	3,286	4,604
	- 1%	(2,594)	(3,488)
Future salary	+ 1%	3,675	5,057
	- 1%	(2,205)	(3,034)
Mortality	+ 10%	3,920	5,394
	- 10%	(3,266)	(4,945)
Disable or illness	+ 5%	3,756	5,169
	- 5%	(3,430)	(4,720)

Notes to the Financial Statements
For The Financial Year Ended 31 December 2018

38. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current				
Trade payables				
Third parties	25,803	38,082	320	111
Other payables				
Amounts due to subsidiaries	-	-	166,820	198,563
Accruals	22,785	24,478	6,554	8,468
Advances received on contracts (Note 30)	96	202	-	-
Amounts due to contractors and suppliers	507	163	-	-
Contract liabilities (Note 30)	74	-	-	-
Other deposits	822	811	821	810
Sundry payables	48,741	43,566	6,609	6,323
Financial guarantee contracts	260	288	951	1,427
	73,285	69,508	181,755	215,591
	99,088	107,590	182,075	215,702
Non-current				
Other payables				
Amounts due to subsidiaries	-	-	425,859	420,177
Total trade and other payables	99,088	107,590	607,934	635,879
Add: Loans and borrowings (Note 36)	1,455,755	1,442,524	830,451	739,586
Add: Hire purchase payables (Note 39)	129	157	-	-
Total financial liabilities carried at amortised cost	1,554,972	1,550,271	1,438,385	1,375,465

Trade and other payables are classified as financial liabilities and measured at amortised cost.

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2017: 30 to 60 days).

(b) Amounts due to subsidiaries

Non-current amounts due to subsidiaries totalling RM425,859,000 (2017: RM420,177,000) bear interest at rates ranging from 4.50% to 5.30% (2017: 4.50% to 7.50%) per annum, which are unsecured and not payable within the next twelve (12) months.

38. TRADE AND OTHER PAYABLES (continued)

(b) Amounts due to subsidiaries (continued)

Except for the current amounts due to certain subsidiaries totalling RM136,760,000 (2017: RM177,681,000) that bear interest at rate of 2.75% to 4.50% (2017: 2.75% to 4.50%) per annum, the current amounts due to other subsidiaries are non-interest bearing, unsecured and are payable within the next twelve (12) months in cash and cash equivalents.

Sensitivity analysis for fixed rate interest bearing amounts due to subsidiaries as at the end of the reporting period is not presented as they are not affected by changes in interest rates.

(c) Financial guarantees 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 as financial liabilities at the time the guarantees are issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected loss model under MFRS 9 and the amount initially recognised less amortisation.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

The nominal amounts of financial guarantees provided by the Group and by the Company are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Banking facilities granted to subsidiaries	-	-	138,173	227,724
Guarantee given to PT Bank CIMB Niaga, Tbk, to secure loan for Pembangunan Kebun Kalapa Sawit Plasma under a Plasma Scheme	52,005	57,734	52,005	57,734

(d) The maturity profile of the trade and other payables of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31 December 2018				
Trade and other payables	99,088	-	-	99,088
As at 31 December 2017				
Trade and other payables	107,590	-	-	107,590

Notes to the Financial Statements
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38. TRADE AND OTHER PAYABLES (continued)

(d) The maturity profile of the trade and other payables of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below (continued):

Company	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31 December 2018				
Trade and other payables	211,351	478,410	-	689,761
As at 31 December 2017				
Trade and other payables	242,674	491,240	-	733,914

39. HIRE PURCHASE PAYABLES

	Group 2018 RM'000	Group 2017 RM'000
Minimum lease payments:		
Not later than 1 year	35	35
Later than 1 year and not later than 5 years	105	140
	140	175
Less: Future finance charges	(11)	(18)
Present value of finance lease liabilities	129	157
Present value of lease payments liabilities:		
Not later than 1 year	30	29
Later than 1 year and not later than 5 years	99	128
	129	157
Less: Amount due within 12 months	(30)	(29)
Amount due after 12 months	99	128

(a) The effective interest rates of hire purchase payables is 4.46% (2017: 4.46%) per annum.

(b) Sensitivity analysis for fixed rate hire purchase payables as at the end of the reporting period is not presented as they are not affected by changes in interest rates.

(c) The carrying amounts of hire purchase and finance lease liabilities of the Group as at the end of the reporting period are reasonable approximation of fair values due to the insignificant impact of discounting.

39. HIRE PURCHASE PAYABLES (continued)

(d) The maturity profile of hire purchase payables of the Group at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2018				
Hire purchase payables	35	105	-	140
As at 31 December 2017				
Hire purchase payables	35	140	-	175

(e) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statements of cash flows as cash flows from financing activities.

Group	1.1.2018 RM'000	Cash flows RM'000	Non-cash changes RM'000	31.12.2018 RM'000
Hire purchase payables	157	(28)	-	129

	1.1.2017 RM'000	Cash flows RM'000	Non-cash changes RM'000	31.12.2017 RM'000
Hire purchase payables	41	(60)	176	157

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40. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the end of the reporting period is as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
Property, plant and equipment:				
Approved and contracted for	10,811	4,686	-	-
Approved but not contracted for	25,678	11,692	-	-
	36,489	16,378	-	-

(b) Operating lease commitments - as lessee

Future minimum rentals payable under non-cancellable operating lease at the end of the reporting period are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	1,593	480	86	106
Later than 1 year but not later than 5 years	1,368	834	124	212
Later than 5 years	700	815	-	-
	3,661	2,129	210	318

(c) Operating lease commitments - as lessor

Future minimum rentals receivable under non-cancellable operating lease at the end of the reporting period are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	676	571	777	590
Later than 1 year but not later than 5 years	840	625	1,053	625
	1,516	1,196	1,830	1,215

41. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

The Group has related party relationship with its direct and indirect subsidiaries, associate, joint ventures, Directors and key management personnel.

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Note	2018 RM'000	2017 RM'000
Group			
Joint ventures:			
Sale of crude palm oil	(i)	(330,295)	(425,770)
Sale of palm kernel	(i)	(61,920)	(96,670)
Sale of burning materials	(i)	(963)	(759)
Transportation fees received	(i)	(60)	(36)
Sale of ramets to a subsidiary of an associate	(i)	(729)	(3,750)
Provision of agronomy service to a subsidiary of an associate	(i)	(191)	(214)
Purchase of fresh fruit bunches from a subsidiary of an associate	(ii)	841	1,035
Rental of premises paid to spouse of a Director	(iv)	14	14
Purchase of fresh fruit bunches from a company in which certain Directors of the Company and their family members have equity interests	(iv)	960	1,222
Purchase of fresh fruit bunches from spouse of a Director	(iv)	2,131	3,190

41. RELATED PARTY DISCLOSURES (continued)

(a) Identities of related parties (continued)

	Note	2018 RM'000	2017 RM'000
Company			
Transactions with subsidiaries:			
Sale of fresh fruit bunches	(i)	(6,054)	(9,292)
Purchase of ramets	(ii)	787	400
Purchase of shells and pressed empty bunches	(ii)	1	1
Interest income	(iii)	(54,029)	(51,712)
Interest expenses on advances	(iii)	29,174	37,611
Management fees received		(23,573)	(26,444)
Dividends income		(46,822)	(53,350)
Proceeds from disposal of property, plant and equipment		-	(231)
Maintenance of flooring		43	240
Rental income		(2,368)	(34)
Management fees paid		2,043	-
Transactions with an associate:			
Rental income	(i)	(102)	(102)
Dividends received		(3,152)	(4,203)
Transactions with joint ventures:			
Rental income	(i)	(26)	(26)
Dividends received		(9,000)	(10,000)

41. RELATED PARTY DISCLOSURES (continued)

(a) Identities of related parties (continued)

(i) The sale of products, rental and rendering of services to subsidiaries, subsidiary of an associate, and joint ventures were made according to the published prices and conditions offered to the major customers of the Group and of the Company.

(ii) The purchase of products from subsidiaries and subsidiary of an associate were made according to the published prices and conditions offered by these related parties to their major customers.

(iii) The interest income and expense arose from the amounts due from/to related parties. Further details are disclosed in Note 26 and Note 38 to the financial statements.

(iv) The Directors consider that the rental paid and purchase of fresh fruit bunches from a company in which certain Directors of the Company and their family members have equity interests and/or spouse of Director were made according to the published prices and conditions similar to those offered to the major customers of the suppliers.

Information regarding outstanding balances arising from related party transactions as at 31 December 2018 is disclosed in Note 26 and Note 38 to the financial statements.

(b) Compensation of key management personnel

The remuneration of Directors, which also includes the members of key management during the year was as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	6,743	5,963	6,674	5,708
Post-employment benefits:				
Defined contribution plan	737	684	728	675
	7,480	6,647	7,402	6,383

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

42.1 New MFRSs adopted during the current financial year

The Group and the Company are transitioning entities as defined by the Malaysian Accounting Standards Board ("MASB"), and adopted the MFRS Framework during the financial year ended 31 December 2018. Accordingly, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

In adopting the new MFRS Framework, the Group and the Company applied the transition requirements in MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*. In addition to the adoption of the new MFRS Framework, the following new MFRSs and Amendments to the MFRSs issued by MASB were adopted by the Group and by the Company during the financial year:

Title	**Effective Date**
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs

The Group adjusted amounts previously reported in the financial statements that were prepared in accordance with the previous FRS Framework. In preparing the opening statements of financial position at 1 January 2017, an explanation on the impact arising from the transition from FRSs to MFRSs on the financial position and financial performance of the Group is set out as follows:

(a) Reconciliation of statements of comprehensive income for the financial year ended 31 December 2017

Group 31 December 2017	Previously reported under FRSs RM'000	Effects on adoption of: MFRS 1 RM'000	Amendments of MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	Restated under MFRSs RM'000
Revenue	1,073,507	-	-	-	-	1,073,507
Cost of sales	(692,711)	-	(18,764)	-	-	(711,475)
Gross profit	380,796	-	(18,764)	-	-	362,032
Other items of income						
Interest income	14,326	-	-	-	-	14,326
Dividend income	4,489	-	-	-	-	4,489
Other income	49,240	-	1,599	2,624	-	53,463
Other items of expenses						
Marketing and distribution costs	(41,280)	-	-	-	-	(41,280)
Administrative expenses	(149,937)	(917)	-	-	-	(150,854)
Finance costs	(41,773)	-	-	-	-	(41,773)
Other expenses	(39,260)	-	(1,405)	(1,612)	-	(42,277)
Share of profit of associate, net of tax	9,187	-	(1,507)	-	-	7,680
Share of profit of joint ventures, net of tax	7,535	-	-	(103)	-	7,432
Profit before tax	193,323	(917)	(20,077)	909	-	173,238
Income tax expense	(51,160)	220	(1,137)	274	-	(51,803)
Profit for the financial year	142,163	(697)	(21,214)	1,183	-	121,435

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

(a) Reconciliation of statements of comprehensive income for the financial year ended 31 December 2017 (continued)

Group 31 December 2017	Previously reported under FRSs RM'000	|-----Effects on adoption of-----| MFRS 1 RM'000	Amendments of MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	Restated under MFRSs RM'000
Other comprehensive loss:						
Item that may be reclassified subsequently to profit or loss:						
Foreign currency translations	(194,939)	-	6,399	761	-	(187,779)
Item that may not be reclassified subsequently to profit or loss:						
Remeasurements of net defined benefit liabilities	(1,902)	-	-	-	-	(1,902)
Other comprehensive loss for the financial year, net of tax	(196,841)	-	6,399	761	-	(189,681)
Total comprehensive loss for the financial year	(54,678)	(697)	(14,815)	1,944	-	(68,246)
Profit attributable to:						
Owners of the Company	114,978	(697)	(18,210)	1,256	-	97,327
Non-controlling interests	27,185	-	(3,004)	(73)	-	24,108
	142,163	(697)	(21,214)	1,183	-	121,435
Total comprehensive (loss)/ income attributable to:						
Owners of the Company	(75,642)	(697)	(11,839)	1,934	-	(86,244)
Non-controlling interests	20,964	-	(2,976)	10	-	17,998
	(54,678)	(697)	(14,815)	1,944	-	(68,246)

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

(a) Reconciliation of statement of comprehensive income for the financial year ended 31 December 2017 (continued)

		Effects on adoption of				
Company 31 December 2017	**Previously reported under FRSs RM'000**	**MFRS 1 RM'000**	**Amendments of MFRS 116 and MFRS 141 RM'000**	**MFRS 9 RM'000**	**MFRS 15 RM'000**	**Restated under MFRSs RM'000**
Revenue	104,462	-	-	-	-	104,462
Cost of sales	(4,596)	-	(214)	-	-	(4,810)
Gross profit	99,866	-	(214)	-	-	99,652
Other items of income						
Interest income	53,380	-	-	-	-	53,380
Dividend income	169	-	-	-	-	169
Other income	3,292	-	-	5,247	-	8,539
Other items of expenses						
Administrative expenses	(48,130)	(917)	-	-	-	(49,047)
Finance costs	(68,078)	-	-	-	-	(68,078)
Other expenses	(121,292)	-	(156)	(712)	-	(122,160)
Loss before tax	(80,793)	(917)	(370)	4,535	-	(77,545)
Taxation	1,164	220	89	(977)	-	496
Loss for the financial year	(79,629)	(697)	(281)	3,558	-	(77,049)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive loss for the financial year	(79,629)	(697)	(281)	3,558	-	(77,049)

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

(b) Reconciliation of statements of financial position as at 1 January 2017

Group 1 January 2017	Previously reported under FRSs RM'000	Effects on adoption of: MFRS 1 RM'000	Amendments of MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	Restated under MFRSs RM'000
Non-current assets						
Property, plant and equipment	824,724	-	1,178,646	-	-	2,003,370
Biological assets	1,625,886	74,245	(1,314,568)	-	-	385,563
Land use rights	201,562	-	-	-	-	201,562
Intangible assets	61,057	-	-	-	-	61,057
Investment in an associate	80,849	-	(3,796)	-	-	77,053
Investments in joint ventures	75,772	-	-	(38)	-	75,734
Deferred tax assets	18,543	-	-	-	-	18,543
Other receivables	71,023	-	-	1,876	-	72,899
Investment securities	5,064	-	-	-	-	5,064
	2,964,480	74,245	(139,718)	1,838	-	2,900,845
Current assets						
Biological assets	-	-	7,290	-	-	7,290
Inventories	237,589	-	-	-	-	237,589
Trade and other receivables	132,846	-	-	(4,251)	-	128,595
Other current assets	27,456	-	-	-	-	27,456
Tax recoverable	15,923	-	-	-	-	15,923
Investment securities	19	-	-	-	-	19
Derivative assets	836	-	-	-	-	836
Short term funds	144	-	-	-	-	144
Cash and bank balances	131,202	-	-	-	-	131,202
	546,015	-	7,290	(4,251)	-	549,054
	3,510,495	74,245	(132,428)	(2,413)	-	3,449,899

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

(b) Reconciliation of statements of financial position as at 1 January 2017 (continued)

Group 1 January 2017	Previously reported under FRSs RM'000	Effects on adoption of: MFRS 1 RM'000	Amendments of MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	Restated under MFRSs RM'000
Equity attributable to owners of the Company						
Share capital	672,706	-	-	-	-	672,706
Share premium	1,301	-	-	-	-	1,301
Treasury shares	(8)	-	-	-	-	(8)
Other reserves	263,548	(238,240)	(13,271)	-	-	12,037
Retained earnings	569,437	294,666	(92,853)	(2,661)	-	768,589
	1,506,984	56,426	(106,124)	(2,661)	-	1,454,625
Non-controlling interests	156,444	-	(2,297)	(65)	-	154,082
Total equity	1,663,428	56,426	(108,421)	(2,726)	-	1,608,707
Non-current liabilities						
Loans and borrowings	866,784	-	-	-	-	866,784
Retirement benefits	14,582	-	-	-	-	14,582
Deferred tax liabilities	157,443	17,819	(24,007)	3	-	151,258
	1,038,809	17,819	(24,007)	3	-	1,032,624

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

(b) Reconciliation of statements of financial position as at 1 January 2017 (continued)

Group	**Previously reported under FRSs**	**Effects on adoption of: MFRS 1**	**Amendments of MFRS 116 and MFRS 141**	**MFRS 9**	**MFRS 15**	**Restated under MFRSs**
1 January 2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Current liabilities						
Loans and borrowings	663,425	-	-	-	-	663,425
Trade and other payables	122,700	-	-	310	-	123,010
Hire purchase payables	41	-	-	-	-	41
Derivative liabilities	10,243	-	-	-	-	10,243
Current tax payable	11,849	-	-	-	-	11,849
	808,258	-	-	310	-	808,568
Total liabilities	1,847,067	17,819	(24,007)	313	-	1,841,192
Total equity and liabilities	3,510,495	74,245	(132,428)	(2,413)	-	3,449,899

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

(b) Reconciliation of statements of financial position as at 1 January 2017 (continued)

		Effects on adoption of				
Company 1 January 2017	**Previously reported under FRSs RM'000**	**MFRS 1 RM'000**	**Amendments of MFRS 116 and MFRS 141 RM'000**	**MFRS 9 RM'000**	**MFRS 15 RM'000**	**Restated under MFRSs RM'000**
Non-current assets						
Property, plant and equipment	122,080	-	4,847	-	-	126,927
Biological assets	296,746	74,245	(32,991)	-	-	338,000
Investments in subsidiaries	443,277	-	-	-	-	443,277
Investment in an associate	61,259	-	-	-	-	61,259
Investments in joint ventures	20,750	-	-	-	-	20,750
Other receivables	996,171	-	-	(17,671)	-	978,500
Investment securities	50	-	-	-	-	50
	1,940,333	74,245	(28,144)	(17,671)	-	1,968,763
Current assets						
Biological assets	-	-	307	-	-	307
Inventories	1,673	-	-	-	-	1,673
Trade and other receivables	615,171	-	-	(4,857)	-	610,314
Other current assets	39	-	-	-	-	39
Tax recoverable	648	-	-	-	-	648
Investment securities	19	-	-	-	-	19
Short term funds	144	-	-	-	-	144
Cash and bank balances	83,451	-	-	-	-	83,451
	701,145	-	307	(4,857)	-	696,595
Total assets	2,641,478	74,245	(27,837)	(22,528)	-	2,665,358

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

(b) Reconciliation of statements of financial position as at 1 January 2017 (continued)

Company 1 January 2017	Previously reported under FRSs RM'000	Effects on adoption of: MFRS 1 RM'000	Effects on adoption of: Amendments of MFRS 116 and MFRS 141 RM'000	Effects on adoption of: MFRS 9 RM'000	Effects on adoption of: MFRS 15 RM'000	Restated under MFRSs RM'000
Equity attributable to owners of the Company						
Share capital	672,706	-	-	-	-	672,706
Share premium	1,301	-	-	-	-	1,301
Treasury shares	(8)	-	-	-	-	(8)
Other reserves	31,762	(28,318)	-	-	-	3,444
Retained earnings	366,910	84,744	(27,482)	(19,012)	-	405,160
Total equity	1,072,671	56,426	(27,482)	(19,012)	-	1,082,603
Non-current liabilities						
Loans and borrowings	391,784	-	-	-	-	391,784
Other payables	523,732	-	-	-	-	523,732
Deferred tax liabilities	21,080	17,819	(355)	(5,407)	-	33,137
	936,596	17,819	(355)	(5,407)	-	948,653
Current liabilities						
Loans and borrowings	401,048	-	-	-	-	401,048
Trade and other payables	231,015	-	-	1,891	-	232,906
Derivative liabilities	148	-	-	-	-	148
	632,211	-	-	1,891	-	634,102
Total liabilities	1,568,807	17,819	(355)	(3,516)	-	1,582,755
Total equity and liabilities	2,641,478	74,245	(27,837)	(22,528)	-	2,665,358

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

(c) Reconciliation of statements of financial position as at 31 December 2017

Group 31 December 2017	Previously reported under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Amendments of MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	Restated under MFRSs RM'000
Non-current assets						
Property, plant and equipment	770,071	-	1,146,570	-	-	1,916,641
Biological assets	1,612,386	73,328	(1,295,152)	-	-	390,562
Land use rights	181,799	-	-	-	-	181,799
Intangible assets	57,252	-	-	-	-	57,252
Investment in an associate	85,817	-	(5,312)	-	-	80,505
Investments in joint ventures	73,307	-	-	(141)	-	73,166
Deferred tax assets	19,304	-	-	-	-	19,304
Other receivables	78,250	-	-	1,907	-	80,157
Investment securities	50	-	-	-	-	50
	2,878,236	73,328	(153,894)	1,766	-	2,799,436
Current assets						
Biological assets	-	-	7,825	-	-	7,825
Inventories	211,537	-	-	-	-	211,537
Trade and other receivables	85,864	-	-	(2,277)	-	83,587
Other current assets	18,386	-	-	-	-	18,386
Tax recoverable	3,976	-	-	-	-	3,976
Investment securities	27	-	-	-	-	27
Derivative assets	5,424	-	-	-	-	5,424
Cash and bank balances	139,280	-	-	-	-	139,280
	464,494	-	7,825	(2,277)	-	470,042
Total assets	3,342,730	73,328	(146,069)	(511)	-	3,269,478

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

(c) Reconciliation of statements of financial position as at 31 December 2017 (continued)

Group 31 December 2017	Previously reported under FRSs RM'000	Effects on adoption of: MFRS 1 RM'000	Amendments of MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	Restated under MFRSs RM'000
Equity attributable to owners of the Company						
Share capital	740,512	-	-	-	-	740,512
Treasury shares	(8)	-	-	-	-	(8)
Other reserves	69,058	(235,928)	(6,909)	678	-	(173,101)
Retained earnings	667,310	291,657	(111,063)	(1,405)	-	846,499
	1,476,872	55,729	(117,972)	(727)	-	1,413,902
Non-controlling interests	130,373	-	(5,273)	(55)	-	125,045
Total equity	1,607,245	55,729	(123,245)	(782)	-	1,538,947
Non-current liabilities						
Loans and borrowings	793,434	-	-	-	-	793,434
Retirement benefits	15,636	-	-	-	-	15,636
Hire purchase payables	128	-	-	-	-	128
Deferred tax liabilities	156,021	17,599	(22,824)	(17)	-	150,779
	965,219	17,599	(22,824)	(17)	-	959,977

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

(c) Reconciliation of statements of financial position as at 31 December 2017 (continued)

Group 31 December 2017	Previously reported under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Amendments of MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	Restated under MFRSs RM'000
Current liabilities						
Loans and borrowings	649,090	-	-	-	-	649,090
Trade and other payables	107,302	-	-	288	-	107,590
Hire purchase payables	29	-	-	-	-	29
Derivative liabilities	124	-	-	-	-	124
Current tax payable	13,721	-	-	-	-	13,721
	770,266	-	-	288	-	770,554
Total liabilities	1,735,485	17,599	(22,824)	271	-	1,730,531
Total equity and liabilities	3,342,730	73,328	(146,069)	(511)	-	3,269,478

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

(c) Reconciliation of statements of financial position as at 31 December 2017 (continued)

Company 31 December 2017	Previously reported under FRSs RM'000	Effects on adoption of MFRS 1 RM'000	Effects on adoption of Amendments of MFRS 116 and MFRS 141 RM'000	Effects on adoption of MFRS 9 RM'000	Effects on adoption of MFRS 15 RM'000	Restated under MFRSs RM'000
Non-current assets						
Property, plant and equipment	121,082	-	4,562	-	-	125,644
Biological assets	295,722	73,328	(32,991)	-	-	336,059
Investments in subsidiaries	887,027	-	-	-	-	887,027
Investment in an associate	61,259	-	-	-	-	61,259
Investments in joint ventures	20,750	-	-	-	-	20,750
Other receivables	909,364	-	-	(18,383)	-	890,981
Investment securities	50	-	-	-	-	50
	2,295,254	73,328	(28,429)	(18,383)	-	2,321,770
Current assets						
Biological assets	-	-	222	-	-	222
Inventories	1,706	-	-	-	-	1,706
Trade and other receivables	82,667	-	-	(74)	-	82,593
Other current assets	25	-	-	-	-	25
Tax recoverable	18	-	-	-	-	18
Investment securities	27	-	-	-	-	27
Derivative assets	45	-	-	-	-	45
Cash and bank balances	41,231	-	-	-	-	41,231
	125,719	-	222	(74)	-	125,867
Total assets	2,420,973	73,328	(28,207)	(18,457)	-	2,447,637

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

(c) Reconciliation of statements of financial position as at 31 December 2017 (continued)

Company 31 December 2017	Previously reported under FRSs RM'000	Effects on adoption of: MFRS 1 RM'000	Amendments of MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	Restated under MFRSs RM'000
Equity attributable to owners of the Company						
Share capital	740,512	-	-	-	-	740,512
Treasury shares	(8)	-	-	-	-	(8)
Other reserves	27,854	(27,854)	-	-	-	-
Retained earnings	260,609	83,583	(27,763)	(15,454)	-	300,975
Total equity	1,028,967	55,729	(27,763)	(15,454)	-	1,041,479
Non-current liabilities						
Loans and borrowings	358,434	-	-	-	-	358,434
Other payables	420,177	-	-	-	-	420,177
Deferred tax liabilities	17,968	17,599	(444)	(4,430)	-	30,693
	796,579	17,599	(444)	(4,430)	-	809,304
Current liabilities						
Loans and borrowings	381,152	-	-	-	-	381,152
Trade and other payables	214,275	-	-	1,427	-	215,702
	595,427	-	-	1,427	-	596,854
Total liabilities	1,392,006	17,599	(444)	(3,003)	-	1,406,158
Total equity and liabilities	2,420,973	73,328	(28,207)	(18,457)	-	2,447,637

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

Notes to the reconciliations

(i) Transition from FRS Framework to MFRS Framework

The Group elected to apply MFRS 3 *Business Combinations* prospectively from the date FRS 3 *Business Combinations* was adopted and to deem the carrying amount of investment in each subsidiary, joint venture and associate to be the cost of the investment in the separate financial statements as at the date of transition to MFRSs.

The Group and the Company elected to apply the optional exemption to apply the requirements of MFRS 123 from the date of transition to MFRSs. Hence, the Group and the Company did not restate the borrowing costs component that was capitalised in the carrying amounts of bearer plants and biological assets under the previous FRS 123 *Borrowing Costs*.

Other optional exemptions elected by the Group that have an impact on the reported financial positions prepared in accordance with FRSs are as follows:

Property, plant and equipment - Deemed cost exemption

The Group and the Company elected to apply the optional exemption to measure certain property, plant and equipment and biological assets, which comprise forest plantation expenditures in the Natural Forest Management areas at fair value at the date of transition to MFRSs and use that fair value as deemed cost. The forest plantation expenditures are amortised over the remaining period of the licence.

The aggregate fair value of these property, plant and equipment and biological assets as at 1 January 2017 were as follows:

	Group RM'000	Company RM'000
Aggregate fair value	381,081	181,901
Aggregate adjustments to the carrying amounts previously reported under FRSs	74,245	74,245

Exemption for cumulative translation differences

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be zero at the date of transition.

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

Notes to the reconciliations (continued)

(i) Transition from FRS Framework to MFRS Framework (continued)

The impact arising from the above changes is summarised as follows:

	Group		Company	
	31.12.2017 RM'000	**1.1.2017 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Statements of financial position				
Assets				
Increase in biological assets	73,328	74,245	73,328	74,245
Equity				
Decrease in other reserves	(235,928)	(238,240)	(27,854)	(28,318)
Increase in retained earnings	291,657	294,666	83,583	84,744
Liabilities				
Increase in deferred tax liabilities	17,599	17,819	17,599	17,819
Statements of comprehensive income				
Increase in administrative expenses	(917)	N/A	(917)	N/A
Increase in taxation	220	N/A	220	N/A

Bearer plants and biological assets

Prior to the adoption of the *Agriculture: Bearer Plants* (Amendments to MFRS 116 and MFRS 141), all the new planting expenditure incurred from land clearing to the point of harvesting was capitalised under plantation development expenditure and was not amortised. Replanting expenditure, which represented cost incurred in replanting old planted areas, was charged to profit or loss. With the adoption of the Amendments to MFRS 116 and MFRS 141, the new planting expenditure and replanting expenditure are measured at cost less accumulated depreciation and any accumulated impairment losses.

The adoption of the *Agriculture: Bearer Plants* (Amendments to MFRS 116 and MFRS 141) have resulted in additional depreciation on property, plant and equipment. The replanting expenditure that were charged to profit or loss during the previous financial years are reversed and capitalised under property, plant and equipment.

Prior to the adoption of the Amendments to MFRS 116 and MFRS 141, biological assets which formed part of bearer plants, were not recognised separately. With the adoption of the Amendments to MFRS 116 and MFRS 141, the biological assets within the scope of MFRS 141 are measured at fair value less costs to sell. The changes in fair value less costs to sell of the biological assets are recognised in profit or loss during the financial year.

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

Notes to the reconciliations (continued)

(i) Transition from FRS Framework to MFRS Framework (continued)

Bearer plants and biological assets (continued)

With the adoption of Amendments to MFRS 116 and MFRS 141, the new planting expenditure and replanting expenditure of the associate are measured at cost less accumulated depreciation and any accumulated impairment losses to align with the accounting policy of the Group.

The impact arising from the above changes is summarised as follows:

	Group		Company	
	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Statements of financial position				
Non-current assets				
Increase in property, plant and equipment	1,146,570	1,178,646	4,562	4,847
Decrease in biological assets	(1,295,152)	(1,314,568)	(32,991)	(32,991)
Decrease in investment in an associate	(5,312)	(3,796)	-	-
Current assets				
Increase in biological assets	7,825	7,290	222	307
Equity				
Decrease in other reserves	(6,909)	(13,271)	-	-
Decrease in retained earnings	(111,063)	(92,853)	(27,763)	(27,482)
Decrease in non-controlling interests	(5,273)	(2,297)	-	-
Liabilities				
Decrease in deferred tax liabilities	(22,824)	(24,007)	(444)	(355)
Statements of comprehensive income				
Increase in cost of sales	(18,764)	N/A	(214)	N/A
Increase in other income	1,599	N/A	-	N/A
Increase in other expenses	(1,405)	N/A	(156)	N/A
Decrease in share of profit of joint ventures	(1,507)	N/A	-	N/A
(Decrease)/Increase in taxation	(1,137)	N/A	89	N/A
Decrease in other comprehensive loss	6,399	N/A	-	N/A

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

Notes to the reconciliations (continued)

(ii) Adoption of MFRS 15

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, FRS $201_{(2004)}$ *Property Development Activities* and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

In applying MFRS 15 retrospectively, the Group and the Company applied the following practical expedients:

(a) For completed contracts, contracts that begin and end within the same annual reporting period were not restated;

(b) For completed contracts that have variable consideration, rather than estimating variable consideration amounts in the comparative reporting periods, transaction price at the date the contract was completed was used; and

(c) For all reporting period presented before the date of initial application, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the revenue is expected to be recognised need not be disclosed.

The Group and the Company have assessed that the initial application of MFRS 15 does not have any significant impact on the financial statements of the Group and of the Company.

(iii) Adoption of MFRS 9

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

(a) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

(i) Those to be measured at amortised cost; and

(ii) Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

(i) The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

Notes to the reconciliations (continued)

(iii) Adoption of MFRS 9 (continued)

(a) Classification of financial assets and financial liabilities (continued)

The following summarises the key changes (continued):

(ii) A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.

(iii) A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

(iv) A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

(i) Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and

(ii) The remaining amount of change in the fair value is presented in profit or loss.

(b) Impairment of financial assets

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

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the original effective interest rate of the asset.

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

Notes to the reconciliations (continued)

(iii) Adoption of MFRS 9 (continued)

(b) Impairment of financial assets (continued)

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within other expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables and amounts due from related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(c) The MFRS 9 adjustments are mainly due to:

(i) Reclassifications of the financial assets and financial liabilities of the Group and the Company are as follows:

	Classification	
	Existing under MFRS 139	**New under MFRS 9**
Group		
Financial assets		
Investment securities	AFS	FVTPL
Trade and other receivables	L&R	AC
Derivative assets	FVTPL	FVTPL
Short term funds	FVTPL	FVTPL
Cash and bank balances	L&R	AC

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

Notes to the reconciliations (continued)

(iii) Adoption of MFRS 9 (continued)

(c) The MFRS 9 adjustments are mainly due to (continued):

(i) Reclassifications of the financial assets and financial liabilities of the Group and the Company are as follows (continued):

	Classification	
	Existing under MFRS 139	**New under MFRS 9**
Group		
Financial liabilities		
Trade and other payables	OFL	AC
Derivative liabilities	FVTPL	FVTPL
Loans and borrowings	OFL	AC
Hire purchase payables	OFL	AC
Company		
Financial assets		
Investment securities	AFS	FVTPL
Trade and other receivables	L&R	AC
Derivative assets	FVTPL	FVTPL
Short term funds	FVTPL	FVTPL
Cash and bank balances	L&R	AC
Financial liabilities		
Trade and other payables	OFL	AC
Derivative liabilities	FVTPL	FVTPL
Loans and borrowings	OFL	AC

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.2 Explanation of transition to MFRSs (continued)

Notes to the reconciliations (continued)

(iii) Adoption of MFRS 9 (continued)

(d) The impact arising from the change is summarised as follows:

	Group		Company	
	31.12.2017	1.1.2017	31.12.2017	1.1.2017
	RM'000	RM'000	RM'000	RM'000
Statements of financial position				
Non-current assets				
Decrease in investments in joint ventures	(141)	(38)	-	-
Increase/(Decrease) in trade and other receivables	1,907	1,876	(18,383)	(17,671)
Current assets				
Decrease in trade and other receivables	(2,277)	(4,251)	(74)	(4,857)
Equity				
Increase in other reserves	678	-	-	-
Decrease in retained earnings	(1,405)	(2,661)	(15,454)	(19,012)
Decrease in non-controlling interests	(55)	(65)	-	-
Liabilities				
(Decrease)/Increase in deferred tax liabilities	(17)	3	(4,430)	(5,407)
Increase in other payables	288	310	1,427	1,891
Statements of comprehensive income				
Increase in other income	2,624	N/A	5,247	N/A
Increase in other expenses	(1,612)	N/A	(712)	N/A
Decrease in share of profit of joint ventures	(103)	N/A	-	N/A
Increase/(Decrease) in taxation	274	N/A	(977)	N/A
Decrease in other comprehensive loss	761	N/A	-	N/A

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

42.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
MFRS 16 *Leases*	1 January 2019
IC Interpretation *23 Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

43. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(i) On 7 February 2019, the Company incorporated a new subsidiary known as PT Aman Mulia Gemilang ("PTAMG") in Indonesia.

The authorised share capital of PTAMG is Rupiah 10.0 billion, divided into 10,000 shares of Rupiah 1.0 million each and the issued and paid-up capital is Rupiah 2.5 billion, divided into 2,500 shares of Rupiah 1.0 million each. TSH has subscribed for a total 1,625 shares, representing 65% of the entire issued and paid-up capital of PTAMG for a total subscription consideration of Rupiah 1.625 billion (or equivalent to RM473,000).

(ii) On 18 February 2019, the Group announced that a fire incident occurred at a factory owned by Ekowood International Berhad, a wholly-owned subsidiary of the Group. The operational impact of the fire incident is not expected to be material to the Group as all the assets are sufficiently insured and adequate insurance coverage is in place to cover consequential business loss.

ANALYSIS OF SHAREHOLDINGS
AS AT 29 MARCH 2019

Issued Share Capital	:	1,381,798,509 ordinary shares (net of treasury shares)
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

1. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings			Shareholders	%	No. of shares held	%
1	-	99	322	5.14	11,467	Negligible
100	-	1,000	662	10.56	324,925	0.02
1,001	-	10,000	3,204	51.12	15,111,868	1.09
10,001	-	100,000	1,778	28.37	53,201,186	3.85
100,001	-	69,089,924*	301	4.80	1,216,496,363	88.04
69,089,925 and above **			1	0.01	96,652,700	7.00
Total			6,268	100.00	1,381,798,509	100.00

* Less than 5% of issued holdings
** 5% and above of issued holdings

2. DIRECTORS' SHAREHOLDINGS

	No. of shares held			
Name	Direct	%	Indirect *	%
Datuk (Dr.) Kelvin Tan Aik Pen	169,061,517	12.23	-	-
Dato' Aik Sim, Tan	53,338,564	3.86	-	-
Dato' Jasmy bin Ismail	-	-	-	-
Selina binti Yeop Junior @ Lope	-	-	-	-
Natasha binti Mohd Zulkifli	-	-	-	-
Yap Boon Teck	-	-	-	-
Tan Aik Kiong	55,379,995	4.01	27,125	Negligible
Chew Siew Yeng	-	-	210,000	0.02
Tan Aik Yong	53,904,817	3.90	-	-
Lim Fook Hin	1,602,000	0.12	4,500,000	0.33

* Deemed interested by virtue of Section 59(11)(c) of the Companies Act 2016.

Analysis of Shareholdings
As At 29 March 2019

3. SUBSTANTIAL SHAREHOLDERS

	Name	No. of shares held	%
1.	Datuk (Dr.) Kelvin Tan Aik Pen	169,061,517	12.23
2.	Employees Provident Fund Board	97,402,700	7.05
3.	Tunas Lestari Sdn. Bhd.	85,500,000	6.19
4.	Embun Yakin Sdn. Bhd.	75,703,359	5.48

4. THIRTY (30) LARGEST SHAREHOLDERS

	Name	No. of shares held	%
1.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	96,652,700	6.99
2.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Aik Pen	68,759,991	4.98
3.	Urusharta Jamaah Sdn. Bhd.	61,350,200	4.44
4.	Tan Aik Kiong	55,226,287	4.00
5.	Tan Aik Sim	53,338,564	3.86
6.	Kumpulan Wang Persaraan (Diperbadankan)	53,102,450	3.84
7.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Exempt An For Bank of Singapore Limited	47,921,981	3.47
8.	Maybank Nominees (Asing) Sdn. Bhd. Eccles Equity Asia Ltd	47,409,862	3.43
9.	Tan Aik Choon	41,029,958	2.97
10.	Tan Ek Huat	38,934,718	2.82
11.	Maybank Nominees (Asing) Sdn. Bhd. Walton Private Investment Limited	38,483,958	2.79
12.	Tan Ah Seng	36,654,089	2.65
13.	Tan Aik Hwa	35,941,139	2.60
14.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account – AmBank (M) Berhad for Tan Aik Pen	34,168,279	2.47
15.	Tan Aik Yong	33,207,342	2.40
16.	UOBM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Embun Yakin Sdn. Bhd.	33,000,000	2.39
17.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Aik Pen	32,749,724	2.37
18.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Embun Yakin Sdn. Bhd.	29,139,200	2.11
19.	Maybank Nominees (Asing) Sdn. Bhd. L&P Bakri Inc.	28,117,200	2.03
20.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kemudi Seraya Sdn. Bhd.	26,860,800	1.94

Analysis of Shareholdings
As At 29 March 2019

	Name	No. of shares held	%
21.	UOBM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tunas Lestari Sdn. Bhd.	25,500,000	1.85
22.	Tan Soon Hong	22,914,835	1.66
23.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tunas Lestari Sdn. Bhd.	21,000,000	1.52
24.	UOBM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tunas Lestari Sdn. Bhd.	18,000,000	1.30
25.	Ong Yah Ho	16,710,290	1.21
26.	Amanahraya Trustees Berhad Public Smallcap Fund	16,208,250	1.17
27.	Embun Yakin Sdn. Bhd.	12,264,159	0.89
28.	Teo Han Ching @ Teo Jin Hwa	11,805,000	0.85
29.	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	11,749,100	0.85
30.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tunas Lestari Sdn. Bhd.	11,000,000	0.80

LIST OF TOP 10 PROPERTIES HELD BY TSH GROUP

Location	Description	Area	Existing use	Tenure	Approximate age of building (years)	Net book value as at 31.12.18 RM	Date of Acquisition/ (Date of last revaluation)
Desa Tanah Kuning & Desa Mangkupadi Kecamatan Tanjung Palas Timur, Kabupaten Bulungan Provinsi Kalimantan Timur (PT Bulungan Citra Agro Persada)	Plantation land	13,215 ha	Oil Palm Plantation	35 years lease expiring on 03.10.2046	Not applicable	281,730,845	16.08.2011
Desa Penawai, Bekokong Makmur, Kecamatan Bongan Jempang & Desa Jambuk, Muara Gusik, Penawai, Tanjung Sari, Kecamatan Bongan & Desa Jambuk Makmur, Kecamatan Bongan, Desa Muara Siram, Siram Jaya, Resak Kampung, Kecamatan Bongan, Kabupaten Kutai Barat, Propinsi Kalimantan Timur (PT Farinda Bersaudara)	Plantation land	12,093 ha 535 ha 12,628 ha	Oil Palm Plantation & Mill	35 years lease expiring on 18.02.2045 for land under Desa Penawai, Bekokong Makmur & 35 years lease expiring on 24.02.2045 for land under Desa Resak, Desa Jambuk, Muara Gusik, Penawai, Tanjung Sari, Desa Jambuk Makmur, Desa Muara Siram, Siram Jaya dan Resak Kampung	Not applicable	277,246,095 3,736,095 280,982,190	26.12.2008

List of Top 10 Properties Held by TSH Group

Location	Description	Area	Existing use	Tenure	Approximate age of building (years)	Net book value as at 31.12.18 RM	Date of Acquisition/ (Date of last revaluation)
Nagari Tebing Tinggi Kecamatan Pulau Punjung Nagari Sitiung, Kecamatan Sitiung, Nagari Sialang Gaung, Kecamatan Kota Baru Kabupaten Dharmasraya Propinsi Sumatera Barat (PT Andalas Wahana Berjaya)	Plantation land	3,097 ha	Oil Palm Plantation	35 years lease expiring on 18.10.2053	Not applicable	168,069,779	29.12.2005
Desa Muara Siram, Kecamatan Bongan Kabupaten Kutai Barat Propinsi Kalimantan Timur (PT Teguh Swakarsa Sejahtera)	Plantation land	10,282 ha	Oil Palm Plantation	35 years lease expiring on 13.07.2040	Not applicable	153,086,469	01.04.2006
Kecamatan Katingan Tengah, Desa Samba Katung, Desa Samba Bakumpai, Desa Telok, Desa Petak Puti, Desa Tewang Panjang, Desa Tumbang Lahang dan Kecamatan Pulau Malan, Desa Tura, Desa Tumbang Tanjung, Kabupaten Katingan, Propinsi Kalimantan Tengah (PT Mitra Jaya Cemerlang)	Plantation land	14,500 ha	Oil Palm Plantation	Pending	Not applicable	138,906,614	29.10.2009
Title No. CL 095327218 District of Kinabatangan Tenegang Koyah Locality Off KM 46.5, Jalan Lahad Datu Sandakan, Sabah	Plantation land	4,942 acres	Oil palm plantation & mill	98 years leasehold expiring on 31.12.2096	19	108,508,980	(10.09.2015)

List of Top 10 Properties Held by TSH Group

Location	Description	Area	Existing use	Tenure	Approximate age of building (years)	Net book value as at 31.12.18 RM	Date of Acquisition/ (Date of last revaluation)
Desa Pelantaran, Pundu & Bajarau Kecamatan Cempaga Hulu & Parenggean Kabupaten Kotawaringin Timur Propinsi Kalimantan Tengah (PT Sarana Prima Multi Niaga)	Plantation land	7,114 ha	Oil Palm Plantation & Mill	35 years lease expiring on 15.05.2041	Not applicable	94,927,340	12.04.2007
Kampung Muara Ponak, Kenayayan, Ringkong dan Kinya, Kecamatan Siluq Ngurai Kabupaten Kutai Barat, Kalimantan Timur (PT Munte Waniq Jaya Perkasa)	Plantation land	7,170 ha 846 ha 8,016 ha	Oil Palm Plantation	35 years lease expiring on 22.10.2048 35 years lease expiring on 04.11.2051	Not applicable	90,370,320	18.10.2011
Desa Langgam/ Katiagan, Kabupaten Pasaman & Nagari Kinali, Kabupaten Pasaman Barat, Kecamatan Kinali, Propinsi Sumatera Barat (PT Laras Internusa)	Plantation land	7,309 ha	Oil Palm Plantation	35 years lease expiring on 31.12.2029 for land under Desa Langgam & 35 years lease expiring on 16.02.2044 for land under Nagari Kinali	Not applicable	89,045,427	01.05.2006
Desa Rantau Makmur, Tanjung Labu Kecamatan Rantau Pulung Kabupaten Kutai timur Kalimantan Timur (PT Andalas Wahana Sukses)	Plantation land	7,435 ha	Plantation land	Pending	Not applicable	87,998,373	22.02.2013

PROXY FORM

TSH RESOURCES BERHAD
(49548-D)
(Incorporated in Malaysia)

CDS Account No.	

I/We ______________________________ *NRIC/Company No. ______________
(FULL NAME IN CAPITAL LETTERS)

of ____
(FULL ADDRESS)

being *a member/members of TSH RESOURCES BERHAD hereby appoint ______________________________
(FULL NAME IN CAPITAL LETTERS)

______________________________ *NRIC No./Passport No. ______________

of ____
(FULL ADDRESS)

and/or *failing him/her ______________________________ *NRIC No./Passport No. ______________
(FULL NAME IN CAPITAL LETTERS)

of ____
(FULL ADDRESS)

or failing *him/her, THE CHAIRMAN OF THE MEETING

as *my/our proxy to attend, speak and vote for *me/us on *my/our behalf at the Thirty-Ninth Annual General Meeting of the Company to be held at Ballroom 2, LG Level, Eastin Hotel, 13, Section 16/11, Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan on 28 May 2019 at 10.00 am and any adjournment thereof and to vote as indicated below:-

		*FOR	*AGAINST
Resolution 1	To declare a first and final single tier dividend of 1.0 sen per ordinary share.		
Resolution 2	To approve payment of Directors' fees of RM177,000 for the financial year ended 31 December 2018.		
Resolution 3	To approve payment of Directors' benefits (excluding Directors' fees) of up to an aggregate amount of RM1,610,000 from 29 May 2019 until the next AGM of the Company in 2020.		
Resolution 4	To re-elect Natasha binti Mohd Zulkifli, who is retiring in accordance with Clause 97 of the Company's Constitution.		
Resolution 5	To re-elect the following Directors who are retiring in accordance with Clause 100 of the Company's Constitution: a) Yap Boon Teck		
Resolution 6	b) Chew Siew Yeng		
Resolution 7	c) Tan Aik Yong		
Resolution 8	To re-appoint Messrs BDO PLT as the Company's Auditors and to authorise Directors to fix their remuneration.		
Resolution 9	Proposed Authority to Issue Shares.		
Resolution 10	Proposed Renewal of the Authority for Share Buy-Back.		
Resolution 11	Proposed Renewal of the Existing Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature.		

* Please indicate with an "X" in the space provided for each resolution. Unless voting instructions are indicated in the space above, the proxy will vote or abstain as he/she thinks fit and if no name is inserted in the space for the name of proxy, the Chairman of the meeting will act as proxy.

Signed this ______ day of ___________________ 2019

No. of shares held

Percentage of shareholdings to be represented by the proxies:		
	No. of shares	**Percentage**
Proxy 1		
Proxy 2		
Total		**100%**

____
Signature/Common Seal of Appointor

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 21 May 2019 be regarded as members and entitled to attend, speak and vote at the meeting.

2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than 2 proxies to attend and vote in his stead. Where a member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.

3. If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit and if no names are inserted in the space for the name of proxy, the Chairman of the meeting will act as proxy.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy shall be in writing under the hand of the depositor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal and shall be deposited at Boardroom Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, not less than 48 hours before the time appointed for holding this meeting or adjourned meeting.

6. Pursuant to Paragraph 8.29A of Bursa Securities Main Market Listing Requirements, all resolutions set out in the Notice of Thirty-Ninth AGM will be put to vote on a poll.

Explanatory Notes:

1. The audited financial statements are meant for discussion only as it does not require shareholders' approval under the provision of Section 340(1)(a) of the Companies Act 2016. Hence, it will not be put for voting.

2. With reference to Section 131 of the Companies Act 2016, a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent.

   On 27 February 2019, the Board had considered the amount of dividend and decided to recommend the same for the shareholders' approval. The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made on 20 June 2019 in accordance with the requirements under Sections 132(2) and (3) of the Companies Act 2016.

3. Resolution 2, the Company is seeking shareholders' approval for payment of Directors' fees totalling RM177,000.

   Details of the above are set out in Note 14 to the financial statements. The remuneration of each Director is set out in the Corporate Governance Report.

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AFFIX
STAMP

Boardroom Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor

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4. Resolution 3, the benefits are payable to eligible Non-Executive Directors comprise among others, monthly allowance to the Chairman of the Company in recognition of his significant oversight and leadership roles in the Group, Board committee allowance, business travelling allowance, petrol allowance and other benefits-in-kind including company car and driver as well as other emoluments.

5. Resolution 9 is a renewal of the general mandate empowering the Directors of the Company pursuant to Sections 75 & 76 of the Companies Act 2016, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the general mandate does not exceed ten percent (10%) of the issued share capital of the Company for the time being. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

   As at the date of this notice, the Company did not issue any new shares pursuant to the general mandate granted to the Directors at the last AGM held on 24 May 2018.

   The renewal of the general mandate will provide flexibility to the Company for any possible fund raising activities without the need to convene a separate general meeting to specifically approve such issuance of shares and thereby reducing administrative time and costs associated with the convening of such meeting. However, at this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

6. For Resolutions 10 and 11, further information on the Proposed Renewal of the Authority for Share Buy-Back and Proposed Renewal of the Existing Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature are set out in the Circular to Shareholders dated 29 April 2019.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"),

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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