



**DRIVEN BY DETERMINATION** .....  
**Annual Report 2018**



# DRIVEN BY DETERMINATION



At MKH Berhad, we are inspired by a strong corporate spirit. Our determination to succeed has driven us to expand with great dynamism.

On the cover, graphic illustrations highlight the diversity of our developments while the pristine background emphasises our integrity.

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	Form of Proxy

- To **lead the market** by continually developing and innovating quality products and projects that meet and exceed market expectations.
- To be **responsive to market trends** and customer needs.
- To provide **conductive working environment** that will encourage the application of creative energy that is guided by best industry practices.
- To **be a good** and **responsible** corporate citizen.
- To provide **a sustainable return** to shareholders.

VI

MISSI

CORE VALUE

#### DYNAMIC

We are always enthusiastic in looking out for new opportunities and delivering innovative products into the market.

#### RELIABLE

We utilise our experience and financial strength to deliver on our promises and complete all projects on time or earlier.

#### FRIENDLY

We greet our colleagues, customers and stakeholders in an approachable manner with a smile and are considerate for each other's feelings.

# SION ON

To be a **leading corporation** in  
delivering **sustainable growth**.

At MKH, we take pride in living a set of shared core values that define our culture and business operations, thus helping us to create value for our clients, our people and our organisation.

## PROFESSIONAL

We deal with our stakeholders and customers in an efficient, knowledgeable and responsive manner.

## RESPONSIVE

We proactively engage with the community to understand their needs and concerns with the aim of delivering solutions for betterment of the situations.

## STABLE

We use our expertise, business acumen and financial resources to provide a holistic value to all stakeholders and customers.

## COMPANY PROFILE

### MKH Core Businesses

- • • **Property Development and Construction**
- • • **Plantation**
- • • **Property Investment**
- • • **Building Materials Trading**

**The Company's**  
roots can be traced  
back to its  
establishment in

# 1979



MKH Berhad ("MKH" or "the Group") is a Malaysian public listed company with its headquarter in Kajang that has established a prominent brand presence in Selangor, Kuala Lumpur and East Kalimantan, Indonesia.

Distinguished for its contribution in transforming Kajang, MKH has expanded its property footprints into Klang Valley and other parts of Selangor. Our property portfolio comprises well-planned landed residential, townships and integrated

high rises in Petaling Jaya, Cheras, Puchong, Shah Alam North as well as affluent neighbourhoods in Kuala Lumpur such as south of Bangsar and Mon't Kiara.

The Group also owns 18,388 hectares of oil palm plantation in East Kalimantan, Indonesia together with a 90MT per hour crude palm oil ("CPO") mill. This division contributes as one of the Group's core businesses that will continue to generate sustainable income in the long run.







**Listed on the**  
Main Market of Bursa  
Malaysia  
Securities  
Berhad in

**1995**



Artist's impression



Following the successful completion of the Group's first shopping mall Plaza Metro Kajang in 1996, our property investment portfolio has since grown to include Metro Point Complex, RHR Hotel @ Kajang (formerly known as Prescott Hotel Kajang), and Rafflesia International and Private Schools among others, while our Building Materials Trading Division is well-established as a supplier of quality building materials to local property related business since 2002. In addition, we also own land and factory buildings in China for furniture manufacturing.

Guided by its core values and beliefs, MKH is mindful of the need to have a sustainable growth strategy, and supports it by taking into account sustainable practices in economic, environmental and social aspects.

Through meaningful social investment and community engagement, we aspire to foster stable relationships with our key stakeholders as well as the greater community, and are driven by determination in our journey forward towards a sustainable future.

## AWARDS AND ACHIEVEMENTS

### COMPANY



**The Edge Malaysia's  
Top 30 Property Developers Award 2017**

In FY2018, MKH was ranked 12<sup>th</sup> among Top 30 Property Developers in Malaysia recognised at The Edge Malaysia's Property Excellence Awards for maintaining a property portfolio of good product quality with seasoned industry expertise that ensures value creation for our homebuyers and investors.



**Program Penilaian Peringkat Kinerja Perusahaan  
(PROPER) Certification**

For maintaining good environmental management at our plantation estates following the standards of *Program Penilaian Peringkat Kinerja Perusahaan*, PT Maju Kalimantan Hadapan was consecutively certified by the Provincial Government of East Kalimantan for the 4<sup>th</sup> time in the Blue category indicating "Good" since 2015.

### PROPERTY

#### QLASSIC Achievement Award 2018



Kajang East Precinct 4 and Eugenia @ Hillpark 3 were recognised at QLASSIC Day 2018 for achieving high QLASSIC assessment scores of 83% and 81% respectively. Kajang East Precinct 4 was subsequently awarded Best QLASSIC Achievement Awards 2018 - Residential in Landed Housing with Project Value of under RM20 million category.



Completed units of double-storey terrace homes of Eugenia @ Hillpark 3 located in Semenyih



Completed units of double-storey terrace homes of Kajang East Precinct 4 located in Semenyih



Certificate for Best QLASSIC Achievement Awards 2018 for Residential in Landed Housing with Project Value of under RM20 million



Achieved Group  
Revenue of  
**RM1.08 billion**



**Completed 6**  
**property developments**  
in Kajang, Semenyih,  
Cheras &  
Puncak Alam over  
**1,600**  
units of residential  
homes & retail shop-lots



**Expanded property  
footprints to Mont'Kiara**  
with launching of  
**Inspirasi Mont'Kiara**

Contributed  
approximately

**RM1.6 million**  
in social investment to  
**147** educational  
institutions, community  
clubs and charitable  
organisations



Achieved high  
Fresh Fruit Bunch  
production of  
**465,000MT**  
with average FFB yield  
of **30MT**  
per hectare



Implemented  
**mechanical-assisted  
collection** to improve  
productivity at  
oil palm plantation



Established

**1st**

trademarked  
product line EGON®

**EGON®**  
**LOCK SYSTEM**  
YOUR SECURITY PARTNER



# 5 YEARS GROUP FINANCIAL HIGHLIGHTS

	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
<b>INCOME STATEMENT</b>					
Revenue	1,081,701	1,068,834	1,265,872	1,041,898	806,522
Profit Before Taxation	126,698	193,592	304,669	137,314	162,560
Profit After Taxation	75,080	124,843	214,178	96,630	119,622
Profit Attributable to Shareholders of the Company	69,447	128,207	205,041	86,961	104,684
<b>BALANCE SHEET</b>					
Issued and Paid up Capital	654,459*	613,315*	419,444	419,407	419,394
Shareholders' Equity	1,547,002	1,476,995	1,276,285	1,104,653	1,034,505
<b>RATIOS</b>					
Single Tier Dividend Per Share (sen)	3.50	5.00	7.00	7.00	8.00
@Net Earnings Per Share (sen)	11.93	24.18	40.01^	16.97^	20.44^
Net Assets Per Share (RM)	2.66	2.62	2.53^	2.19^	2.05^
Debt/Equity ratio (%)	43	52	66	73	59
Return on Shareholders' Equity (%)	4	9	16	8	10

\* With the Companies Act 2016 ("CA 2016"), which came into effect on 31 January 2017, the credit standing in the share premium account has been transferred into the share capital account pursuant to the transitional provisions set out in Section 618 (2) of CA 2016.

@ Attributable to the equity holders of the Company.

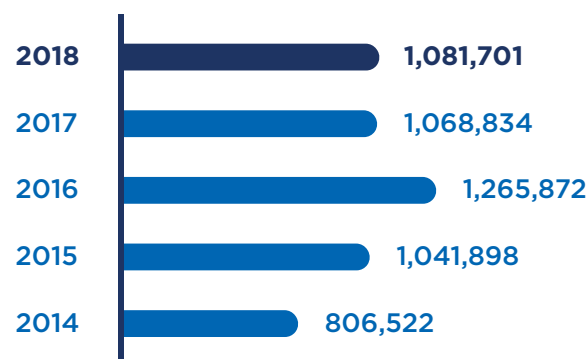
^ The preceding years' net earnings per share and net assets per share have been restated to effect the Bonus Issues made.

## 5 YEARS GROUP FINANCIAL HIGHLIGHTS

MKH Berhad  
Annual Report 2018

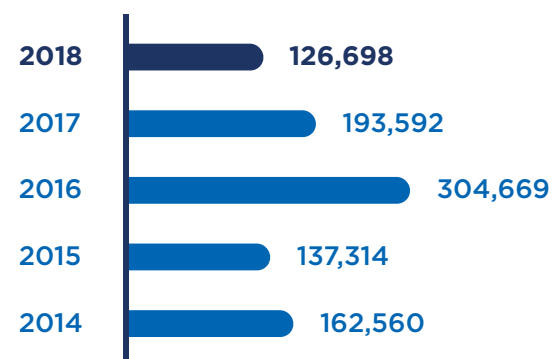
### REVENUE

RM'000



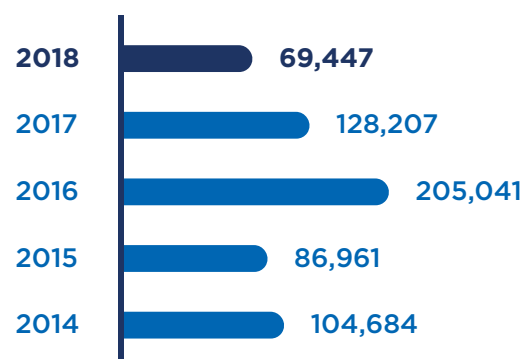
### PROFIT BEFORE TAXATION

RM'000



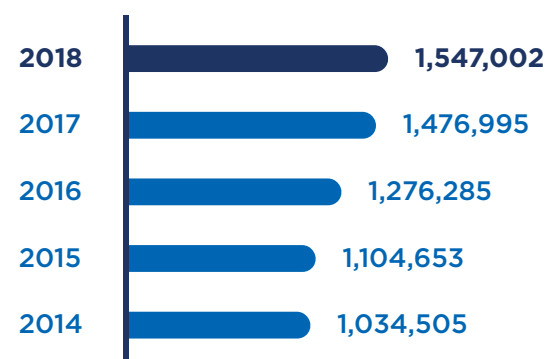
### PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

RM'000



### SHAREHOLDERS' EQUITY

RM'000



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Y. Bhg. Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngai Chong** / Group Executive Chairman

**Y. Bhg. Tan Sri Datuk Chen Lok Loi** / Group Managing Director

**Y. Bhg. Datuk Chen Fook Wah** / Deputy Managing Director

**Y. Bhg. Datuk Mohammad bin Maidon** / Independent Non-Executive Director

**Haji Mohammed Chudi bin Haji Ghazali** / Senior Independent Non-Executive Director

**Jeffrey bin Bosra** / Independent Non-Executive Director

**Haji Hasan Aziz bin Mohd Johan** / Independent Non-Executive Director

### AUDIT COMMITTEE

**Jeffrey bin Bosra**  
(Chairman)

**Haji Mohammed Chudi  
bin Haji Ghazali**  
(Member)

**Haji Hasan Aziz bin Mohd Johan**  
(Member)

### NOMINATION COMMITTEE

**Haji Mohammed Chudi  
bin Haji Ghazali**  
(Chairman)

**Y. Bhg. Datuk Mohammad  
bin Maidon**  
(Member)

### REMUNERATION COMMITTEE

**Y. Bhg. Datuk Mohammad  
bin Maidon**  
(Chairman)

**Jeffrey bin Bosra**  
(Member)

### CHIEF FINANCIAL OFFICER

**Kok Siew Yin**  
(MIA 15343)

### GROUP COMPANY SECRETARY

**Tan Wan San**  
(MIA 10195)

### EXTERNAL AUDITORS

Deloitte PLT (AF 0080)  
Level 16, Menara LGB  
1, Jalan Wan Kadir  
Taman Tun Dr. Ismail  
60000 Kuala Lumpur  
Tel No : (603) 7610 8888  
Fax No : (603) 7726 8986

### PANEL SOLICITORS

Khaled Mutang Chan & Lim  
Ling & Theng Book  
Markiman & Associates  
Michael Chen & Co.  
Steven Tai, Wong & Partners

### PRINCIPAL BANKERS

- Affin Bank Berhad
- Al Rajhi Banking & Investment Corporation (Malaysia) Bhd
- AmBank (M) Berhad
- AmBank Islamic Berhad
- Bank Muamalat Malaysia Berhad
- Hong Leong Bank Berhad
- Hong Leong Islamic Bank Berhad
- ICICI Bank Limited
- Industrial and Commercial Bank of China (Malaysia) Berhad
- Malayan Banking Berhad
- Maybank Islamic Berhad
- OCBC Bank (Malaysia) Berhad
- OCBC Al-Amin Bank Berhad
- RHB Bank Berhad
- RHB Islamic Bank Berhad
- United Overseas Bank (Malaysia) Berhad

### REGISTRAR

Tricor Investor & Issuing House  
Services Sdn Bhd  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Tel No : (603) 2783 9299  
Fax No : (603) 2783 9222

### REGISTERED OFFICE

Suite 1, 5th Floor  
Wisma MKH, Jalan Semenyih  
43000 Kajang  
Selangor Darul Ehsan  
Tel No : (603) 8737 8228  
Fax No : (603) 8736 5436

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Code : MKH  
Stock No : 6114

### CORPORATE WEBSITE

[www.mkhberhad.com](http://www.mkhberhad.com)

# CORPORATE STRUCTURE

MKH Berhad  
Annual Report 2018



## PROPERTY AND CONSTRUCTION DIVISION

100%

- Aliran Perkasa Sdn Bhd
- Budi Bidara Sdn Bhd
- Dapat Jaya Builder Sdn Bhd
  - 45% Rimbunan Melati Sdn Bhd
- Everland Asia Development Sdn Bhd
- Gabung Wajib Sdn Bhd
  - 65% Alif Mesra Sdn Bhd
  - 60% Amona Metro Development Sdn Bhd
    - 84% Temara Pekeliling Sdn Bhd
- Gerak Teguh Sdn Bhd
- GK Resort Berhad
  - 70% PNSB-GK Resort Sdn Bhd
- Intelek Kekal (M) Sdn Bhd
- Intra Tegas (M) Sdn Bhd
- Kajang Resources Corporation Sdn Bhd
  - 51% MKH Property Ventures Sdn Bhd
  - 49% Panasonic Homes MKH Malaysia Sdn Bhd (fka Panahome MKH Malaysia Sdn Bhd)
- Kumpulan Indah Bersatu Sdn Bhd
  - 100% Palga Sdn Bhd
    - 100% Hiliran Juara Sdn Bhd
- Metro K.L. City Sdn Bhd
- Metro Kajang Construction Sdn Bhd
- MKH Development Sdn Bhd
- MKH IHS Precast Sdn Bhd
- MKH Land (Aust) Pty Ltd
- Nexus Starship Sdn Bhd
  - 100% Quantum Density Sdn Bhd
- Pelangi Binaraya Sdn Bhd
- Pelangi Semenyih Sdn Bhd
- Pelangi Seri Alam Development Sdn Bhd
  - 100% Hillpark Resources Sdn Bhd
- Perkasa Bernas (M) Sdn Bhd
  - 40% Daksina Harta Sdn Bhd
- Petik Mekar Sdn Bhd
- Serba Sentosa Sdn Bhd
- Serentak Maju Corporation Sdn Bhd
- Stand Allied Corporation Sdn Bhd
- Sumber Lengkap Sdn Bhd
- Suria Villa Sdn Bhd

99.9%

85%

55%

51%

- Srijang Kemajuan Sdn Bhd
- Achieve Acres Sdn Bhd
- Vista Haruman Development Sdn Bhd
- Danau Saujana Sdn Bhd

## NON-PROPERTY DIVISION

100%

- Detik Merdu Sdn Bhd
  - 95% PT Maju Kalimantan Hadapan
  - 100% PT Nusantara Makmur Jaya
- MKH Plantation Sdn Bhd
  - 75% PT Sawit Prima Sakti
- Intelek Murni (M) Berhad
- Metro Kajang (Oversea) Sdn Bhd
  - 100% Vast Furniture Manufacturing (Kunshan) Co. Ltd.
- Metro Nusantara Sdn Bhd
- Metro Readymix Sdn Bhd
- Metro Tiara (M) Sdn Bhd
- MKH Building Materials Sdn Bhd
- MKH Credit Corporation Sdn Bhd
- MKH Food Sdn Bhd
- MKH Management Sdn Bhd
- MKH Resources Sdn Bhd
- Srijang Indah Sdn Bhd
  - 100% Laju Jaya Sdn Bhd
  - 100% Maha Usaha Sdn Bhd
  - 100% Metro Emart Sdn Bhd

51%

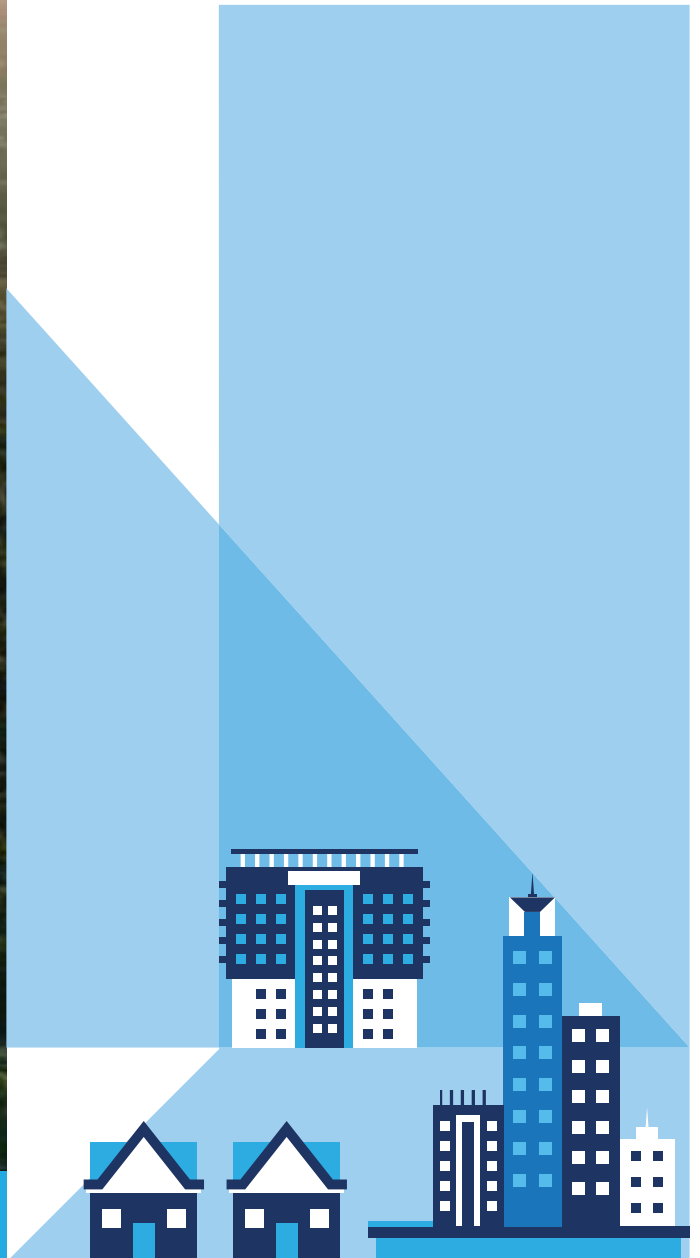
- Global Landscape Creation Sdn Bhd







# GENERATING SUSTAINABLE GROWTH



Artist's impression

# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors and the management, it is my great pleasure to present to you the Annual Report of MKH Berhad (“the Company”, “MKH”, or “the Group”) for the financial year ended 30 September 2018 (“FY2018”).







Lorries filled with fresh fruit bunches in queue to drop off fresh fruit bunches at our crude palm oil mill

**mainly driven by its  
Property Development  
and Construction  
Division as well as  
Plantation Division**

than 1,600 units of residential homes and shop-lots for six (6) property projects with a total gross development value ("GDV") of RM954 million. At the same time, we maintained a commendable take-up rate of more than 83% on average for our ongoing projects.

Among the completed projects, Maple @ Hillpark Shah Alam North marked our first landed residential development built using the pre-fabricated Industrialised Building System adopted through our associated joint venture company, Panasonic Homes MKH Malaysia Sdn Bhd. In addition, Saville @ Cheras serviced apartment represents our first transit-oriented development that is directly integrated to the Sri Raya MRT station in Cheras via a 7-metre sheltered link bridge to enhance residents' convenience.

Adding to our project portfolio in the Greater Kuala Lumpur, we have launched Inspirasi Mont'Kiara that offers affordable boutique serviced apartments in the affluent Mon't Kiara.





Our plantation division is well-sustained by increasingly maturing oil palm trees and a crude palm oil mill with an operating capacity of 90MT per hour



Group photo of MKH volunteers with the elderly residents of Caring Home Kajang in a visitation to donate 50 new drawer cabinets

In recognising the importance of innovation in value creation for our businesses, our Plantation Division embarked on mechanical-assisted collection and evacuation of crops that has allowed us to improve man-day productivity by approximately 20%.

Our Building Materials Trading Division has also established its own ironmongeries trademarked “EGON” to further enhance its product offerings and market presence in the supply of building materials.

At our Hotel and Property Investment Division, I am pleased to note that our shopping malls, namely Plaza Metro Kajang and Metro Point Complex, maintained a relatively good tenants’ occupancy rate of approximately 93% in the reporting year.

In recognising the importance of sustainability as we progress forward, our Sustainability Committee endeavours to align our practices in tackling economic, environmental and social challenges as guided by the United Nation’s 17 Sustainable Development Goals. During the financial year, we have contributed over RM1.6 million in community engagement that benefited 147 educational institutions, community clubs, and charitable organisations.

In our journey to grow and enhance the sustainability of our business operations, we are grateful to be recognised by The Edge Malaysia as Top 12<sup>th</sup> Property Developer in the country, with two residential developments subsequently awarded by Construction Industry Development Board for achieving high QCLASSIC

scores of 83% and 81% respectively. Through responsible environmental management initiatives by our estate management, we were awarded the Certificate for Estate Management Excellence by the Provincial Government of East Kalimantan for four consecutive years since 2015.

MKH’s sustainability progress is further detailed in the section on “Sustainability Report” within this report, from page 28 to page 41.

During the financial year, the Group repurchased 4,038,600 of ordinary shares, representing 0.69% of the total number of shares, at an average price of RM1.34 per share, amounting to approximately RM5.4 million including transaction costs. The exercise was financed by internally generated funds.







Implementation of mechanical-assisted collection has significantly improved in-field mobility and productivity at our oil palm plantation



Artist's impression of the thematic recreational park in a new residential phase of Kaori and Murasaki @ Kajang 2 Precinct 2

The Company also successfully issued 23,646,246 ordinary shares pursuant to the exercise of 23,646,246 warrants at an exercise price of RM1.55 each.

For FY2018, a first interim single-tier dividend of 3.5 sen per ordinary share amounting to approximately RM20.3 million was declared on 30 November 2018 and paid on 10 January 2019. This represents a distribution of 29.3% of the Group's net profit attributable to shareholders.

Moving forward, our Property Development and Construction Division will continue to leverage on the demand for affordable residential properties as well as upgraders looking for medium high-end landed residential properties, banking on the Group's upcoming property launches with an estimated GDV target of RM1.20 billion strategically located in the much sought after vicinities of Kajang, Semenyih, and Puncak Alam.

As at 30 September 2018, this division recorded unbilled sales of RM1.06 billion that is mainly attributable to ongoing property projects, namely Inspirasi Mont'Kiara, TR Residence and Hillpark @ Shah Alam North.

Subsequent to the financial year ended 30 September 2018, we have also entered into two (2) joint-ventures to develop serviced apartments with total GDV of approximately RM1.09 billion. Located in Kajang and Kuala Lumpur respectively, both proposed projects are transit-oriented development with direct access to Sungai Jernih Mass Rapid Transit ("MRT") Station in Kajang and Titiwangsa Light Rail Transit, Monorail and upcoming MRT Interchange Station respectively.

As majority of our oil palm trees have reached prime age, our implementation of mechanisation process in the collection and transportation of harvested crops is timely to enhance estate productivity. Further, we expect demand for crude palm oil ("CPO") to pick up following the reduced CPO import levy by India as one of the main

buyers of CPO as well as the implementation of B10 and B20 biodiesel in Malaysia and Indonesia respectively. In addition, the abolishment of Indonesian export levy on CPO if market price is below USD570 per MT augurs well for our plantation as we are also exporting our CPO.

On behalf of the Board of Directors, my utmost sincere gratitude and thanks to our valued shareholders, customers, bankers, business associates and regulatory authorities for their continued support towards the Group. My heartfelt gratitude also goes to my fellow Board members, management team and over 4,300 employees for their dedication as we move forward together into the new year.

I look forward to a fruitful and eventful year in 2019 with the continued support from all of our stakeholders.

**Tan Sri Dato' Alex Chen Kooi Chiew**  
Group Executive Chairman

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

This Statement provides a discussion and analysis of the Group's financial performance for the financial year ended 30 September 2018 ("FY2018"), including explanations for significant fluctuations over the previous financial year.





Artist's impression of high-rise development Inspirasi Mont'Kiara that was launched in February 2018



Steel bars are one of the major contributor to sales revenue of our Building Materials Trading Division

The Group's principal business segments, which remained unchanged from the preceding year, comprise Property Development and Construction; Plantation; Hotel and Property Investment; and Others. The segment "Others" comprises Trading, Manufacturing, Investment Holding and other non-reportable operations.

### FY2018 FINANCIAL HIGHLIGHTS

The Group's revenue and profit before tax for the financial year under review and the preceding year are summarised as follows:

	2018 RM'000	2017 RM'000	Change (%)
<b>Group Revenue</b>	<b>1,081,701</b>	<b>1,068,834</b>	<b>1.2</b>
<b>Segments</b>			
• <b>Property Development and Construction</b>	702,687	702,528	<b>Negligible</b>
• <b>Plantation</b>	263,197	260,538	<b>1.0</b>
• <b>Hotel and Property Investment</b>	32,957	33,878	<b>(2.7)</b>
• <b>Others</b>	82,860	71,890	<b>15.3</b>
<b>Group Profit Before Tax</b>	<b>126,698</b>	<b>193,592</b>	<b>(34.6)</b>
<b>Segments</b>			
• <b>Property Development and Construction</b>	76,565	137,782	<b>(44.4)</b>
• <b>Plantation</b>	10,428	14,944	<b>(30.2)</b>
• <b>Hotel and Property Investment</b>	11,761	15,075	<b>(22.0)</b>
• <b>Others</b>	27,944	25,791	<b>8.3</b>

For the financial year ended 30 September 2018, the Group recorded an increase in revenue by 1.2% to RM1.08 billion (FY2017: RM1.07 billion), mainly due to higher sales of building materials by its Building Materials Trading Division.

The decline in Group profit before tax ("PBT") by 34.6% to RM126.7 million (FY2017: RM193.6 million) was mainly due to thinner gross profit margin achieved by the Property Development and Construction Division following the competitive sales rebates offered to purchasers for certain development projects and coupled with a land donation of

RM9.5 million for the establishment of a new secondary school within the vicinity of our ongoing Kajang 2 township.

PBT was further reduced by higher unrealised foreign exchange losses of RM36.4 million as compared to the preceding year of RM7.2 million from the Plantation Division following the weakening of Indonesian Rupiah against its borrowings in United States Dollar and Ringgit Malaysia.

Further details of the Group's financial performance are discussed in the segments below.



## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents of the Group decreased by RM41.6 million during the year (FY2017: RM22.7 million), which was culminated from the following cashflow activities:-

Net cash generated from/ (used in)	2018 RM'000	2017 RM'000	Changes (%)
<b>Operating activities</b>	97,082	57,895	<b>67.7</b>
<b>Investing activities</b>	(66,291)	(104,149)	<b>36.4</b>
<b>Financing activities</b>	(72,423)	23,530	<b>(407.8)</b>
<b>Increase/ (Decrease) in cash and cash equivalents</b>	<b>(41,632)</b>	<b>(22,724)</b>	<b>(83.2)</b>

For FY2018, we recorded an improvement in cashflows from operating activities following the handing over vacant possession of six (6) projects coupled with lower interest and tax payments. The cashflow used in investing activities was also reduced with lower upfront development expenditure incurred in land held for property development and the completion of disposal of non-current assets classified as held for sale amounting to RM11.1 million.

Significant cash outflows was recorded for financing activities following the higher net repayment of bank borrowings totalling RM92.2 million in FY2018 (FY2017: RM51.6 million). The repayment of the said borrowings was partly funded from the proceeds of the warrants exercised amounting to approximately RM36.7 million, and the subscription of shares in subsidiaries

totalling RM22.6 million by business associates. The Group had also purchased 4,038,600 of its own shares through its share buy-back programme amounting to RM5.4 million (including transaction costs).

The Group's capital resources comprise primarily of cashflows generated from operating activities, cash and cash equivalents, term deposits, fixed income funds and available lines of credit. As at 30 September 2018, the Group's net gearing improved to 0.29 times (FY2017: 0.34 times), largely due to the above mentioned as well as prudent cashflow management.

The Group continues to maintain a prudent approach towards managing its capital resources to ensure adequacy in meeting operational requirements and capital expenditure from time to time.



Ripe fresh fruit bunches ready for harvest



Show unit of Kajang 2 Precinct 2 Phase 3 (Midori) and 4 (Hiroki) double-storey terrace was completed for customer viewing during the launching ceremony in November 2017



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

MKH Berhad  
Annual Report 2018



Furnished show units are provided for customer viewing at each property sales gallery; from left: Inspirasi Mont'Kiara show unit at Old Klang Road Sales Gallery and Kajang 2 Precinct 2 show unit at Kajang 2 Sales Gallery

### SEGMENT RESULTS AND ANALYSIS

••••

#### **Property Development and Construction**

With 13 key projects located in Kuala Lumpur, Mon't Kiara, Kajang, Semenyih, and Puncak Alam to-date, this segment remains as one of the mainstays of the Group's operations with new sales garnered for FY2018 amounting to RM815.0 million (FY2017: RM808.1 million). Among which, our key projects, namely Hillpark @ Shah Alam North, Kajang 2 Precinct 2, and Inspirasi Mont'Kiara chalked up to RM627.6 million, representing 77% of total new sales for the year under review.

Despite the slight increase in revenue for the current year of RM702.7 million (FY2017: RM702.5 million), this division recorded lower profit before tax of RM76.6 million in the current year (FY2017: RM137.8 million) due to competitive sales rebates offered to purchasers for certain development

projects and an inclusion of a land donation amounting to RM9.5 million for the establishment of a secondary school in the vicinity of our ongoing Kajang 2 township.

As at 30 September 2018, the gross development value of six (6) ongoing projects amounted to approximately RM1.8 billion with unbilled sales totalling RM1.06 billion (FY2017: RM926.5 million), namely Saville @ D'Lake, Puchong, Hillpark @ Shah Alam North, Hillpark Residence, TR Residence @ Jalan Tun Razak, Kajang 2 Precinct 2 and Inspirasi Mont'Kiara.

We had also handed over vacant possession of six (6) property development projects, namely Saville @ Kajang serviced apartment, Saville @ Cheras serviced apartment, Kajang East Precinct 2 double-storey terrace houses, Eugenia @ Hillpark 3 double-storey terrace houses, Maple @

Hillpark Shah Alam North (Phase 7) double-storey terrace houses and Hillpark Avenue @ Hillpark Shah Alam North (Phase 11A & 11B) shop-offices.

The Group is well-positioned to unlock the value of its existing development landbank in Kuala Lumpur, Kajang, Semenyih and Puncak Alam vicinities. Paired with good product design and strategic location essential lifestyle amenities, our ongoing projects recorded an average take-up rate of more than 83% to-date.







Over 15,600 hectares of planted oil palm trees are currently in harvest

### Plantation

The following table summarises the performance of the division for the past three (3) years:-

Production for both Estates	FY2016	FY2017	FY2018
<b>Fresh Fruit Bunches ("FFB") (MT)</b>	371,000*	398,000*	465,000*
<b>Crude Palm Oil ("CPO") (MT)</b>	85,000*	83,000*	101,000*
<b>Average CPO Price</b>	RM2,050	RM2,530	RM2,160
<b>Oil Extraction Rate ("OER")</b>	22%	20%	21%
<b>PT MKH - FFB Yield (MT/hectare)</b>	25MT	26MT	30MT

*Note: Figures exclude CPO purchased from outside parties for resale.*

*\* Rounded up to the nearest thousand*

For the year under review, the Plantation Division recorded an increase in revenue to RM263.2 million (FY2017: RM260.5 million). However, pre-tax profit declined to RM10.4 million for the financial year (FY2017: RM14.9 million), representing a decline of 30.2% that was attributable to higher unrealised foreign exchange

losses of RM36.4 million (FY2017: RM7.2 million) following the weakening of Indonesian Rupiah against its borrowings in United States Dollar and Ringgit Malaysia.



Excluding the unrealised foreign exchange losses, this division recorded higher profit before tax of RM46.8 million in FY2018 (FY2017: RM22.1 million), representing a rise of 112% mainly due to increase in fresh fruit bunch production to 465,000 MT (FY2017: 398,000 MT). As a result of higher production, average CPO production cost has reduced whereas average oil extraction rate improved.

Despite the lower average CPO price of RM2,160 per MT (FY2017: RM2,530 per MT), the division's revenue for FY2018 was higher compared to the preceding year due to higher CPO sales volume of 101,000 MT in the current year (FY2017: 83,000 MT) as the majority of our oil palm trees have reached prime age for harvest.

Our implementation of mechanisation in the estate, which included the use of powered wheelbarrows with high-lift bin system in the collection of fresh fruit bunches, have significantly improved man-day productivity by approximately 20% due to increase in in-field mobility and greater harvest load capacity as compared to manual collection processes via conventional wheelbarrows.

The total area planted as at 30 September 2018 for both plantation subsidiaries PT Maju Kalimantan Hadapan ("PT MKH") and PT Sawit Prima Sakti ("PT SPS") was about 16,408 hectares (FY2017: 16,408 hectares), with 15,623 hectares (2017: 15,623 hectares) of which have reached the mature age for harvest. Presently, PT MKH is planted with 14,877 hectares of oil palm trees aged within the range of 7 to 10 years old, while PT SPS is planted with 1,531 hectares of trees aged 1 to 7 years old.

**Total planted  
area to-date**  
**16,408** hectares

**CPO mill  
operating  
capacity**  
**90MT** per hour



Harvesters using powered wheelbarrow to transfer ripe fresh fruit bunches into large bins to be transported to the mill



Each batch of fresh fruit bunches that arrived at the CPO mill are graded by mill workers to determine the quality of the harvested crop



• • • •

**Hotel and Property Investment**

For FY2018, this division recorded revenue and PBT of RM33.0 million (FY2017: RM33.9 million) and RM11.8 million (FY2017: RM15.1 million) representing a decline of 2.7% and 22.0% respectively, mainly due to lower rental rates and absence of gain on changes in fair value of investment properties in the current year (FY2017 recorded gain on changes in fair value of investment properties of RM3.0 million). This was however mitigated by a gain on disposal of investment in an associated company of RM2.0 million.

Contributing to the Group's earnings with average rental yield of 5% per year, this segment comprises principally a hotel, and two (2) shopping complexes located in Kajang, namely Plaza Metro Kajang (with net lettable area of about 270,000 sq. ft.) and Metro Point Complex (with net lettable area of about 160,000 sq. ft.), as well as four (4) parcels of commercial land in Kajang and Semenyih, which are leased to two (2) hypermarkets, two (2) leading fast-food restaurants, and Rafflesia International School. Other properties included in this segment are four (4) lots of office cum car park bays, three (3) lots of 2-storey shops and car park bays, and one (1) lot of 6-storey shop at MKH Avenue in Kajang.



In operations since 2007, Metro Point Complex offers various entertainment such as bowling and karaoke to the Kajang community, in addition to a wide range of food and beverage outlets



MKH Avenue is the first commercial development in Kajang town that offers new retail opportunities via small-office-flexible-offices (SoFo)



Plaza Metro Kajang is our first shopping complex that has been serving the Kajang community with a variety of lifestyle essentials and entertainment since 1996



MKH continues to expand its property footprints in strategic locations near to the advancing public transportation system across the Klang Valley

## PROSPECTS

The Board remains optimistic, and expects the Group to achieve satisfactory results for the financial year ending 30 September 2019, mainly from the following principal business segments:-

••••

### **Property Development and Construction**

With unbilled sales of RM1.06 billion as of 30 September 2018, we are well-positioned for FY2019 with new and ongoing developments, such as Inspirasi Mont'Kiara, MKH Boulevard II, Nexus @ Kajang Station, Saville @ D'Lake, Puchong, Hillpark @ Shah Alam North, Hillpark Residence, TR Residence @ Jalan Tun Razak, Kajang 2 Precinct 2 and Kajang East Precinct 1.

Our FY2019 planned launches with total estimated GDV of RM1.20 billion are in line with the government's encouragement for affordable housing and transit-oriented developments, comprising mainly affordable to mid-ranged landed residential and high-rises located near the public transportation system.

We continuously explore joint venture opportunities with potential partners with the aim to create value for the Group. Subsequent to FY2018, we have entered into two (2) joint ventures to develop serviced apartments with a total estimated gross development value of approximately RM1.09 billion located in Kajang and Kuala Lumpur respectively.

••••

### **Plantation**

The industry is expected to improve gradually following Indonesia's removal of crude palm oil export levy from previous USD50 per MT that will stimulate rise in palm oil trades. The crude palm oil prices have since recovered from the previous low of approximately RM1,800 to above RM2,100 per MT, and we expect demand to pick up in 2019 partly due to:-

- Indonesia's enforcement of B20 biodiesel since October 2018
- Reduction of Indian import duty for CPO from 44% to 40% in January 2019
- Malaysia's implementation of mandatory B10 biodiesel in February 2019

We will also continue to give focus on enhancing estate management with increased implementation of mechanical-assisted collection to boost production efficiencies including oil extraction rate. Hence, we expect the Plantation Division to benefit from the above.

••••

### **Property Investment**

This division is expected to continue in providing a steady income stream to the Group by maintaining an average rental yield of approximately 5.0% per annum based on fair values of the properties as at 30 September 2018.



EGON ironmongeries represent the first trademarked product established by our Building Materials Trading Division in FY2018







# ENRICHING LIVES AND INSPIRING COMMUNITIES

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Artist's impression



# SUSTAINABILITY REPORT



**ECONOMIC**



**ENVIRONMENTAL**



**SOCIAL**

As a responsible corporate citizen, the Group is mindful of the need to have, and support, a sustainable growth strategy that takes into account sustainable practices in the economic, environmental and social aspects, taking into consideration the concerns of its key stakeholders.





MKH welcomes and also initiates engagement with our stakeholders meaningfully to share latest insights on the constantly evolving business industries



MKH employees regularly participate in the blood donation drive held at its headquarters and shopping malls to give back to the society

The content of this Sustainability Report ("Report") narrates MKH's sustainability efforts from 1 October 2017 to 30 September 2018, encompass the Group's operations in Malaysia and Indonesia, which are the locations of the Group's key businesses.

The Group has considered the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), and sets out what the Board considers as material sustainability risks and opportunities, collectively known as Material Sustainability Matters, that impact the way the Group's operations are carried out and how such Material Sustainability Matters are managed accordingly. The report is prepared in accordance to Sustainability Reporting Guide and its accompanying Toolkits, as issued by Bursa.

## SUSTAINABILITY GOVERNANCE

In MKH Berhad, we hold firmly to the principles of ethical conduct to ensure our business is conducted with integrity through good governance, in line with the best industry practices as well as the applicable rules and regulations.

Our business operating units are guided by the Group's policies and their respective standard operating procedures. The Board of Directors and the senior management meet regularly to ensure that the planning, decision-making and execution of the Group's business operations are carried out professionally.

We have an Internal Audit Division to undertake an independent and systematic assessment of the Group's system of risk management and internal controls as established by management in addressing the principal business risks faced by the Group.

Full disclosure on our Corporate Governance Report is available for reference on [www.mkhberhad.com](http://www.mkhberhad.com).

## Organisational Structure for Sustainability Committee

MKH's Sustainability Committee, led by the Group Managing Director Tan Sri Datuk Chen Lok Loi, oversees the planning and execution of sustainability strategies to ensure that our sustainability matters are implemented throughout our business operations.

Together, the Sustainability Committee identifies, evaluates, monitors and manages risks as well as opportunities in our business operations relating to economic, environmental, and social aspects.





MKH Berhad's Sustainability Committee comprises:-

Group  
Managing Director

Key Senior  
Management

## MKH'S SUSTAINABILITY GOALS

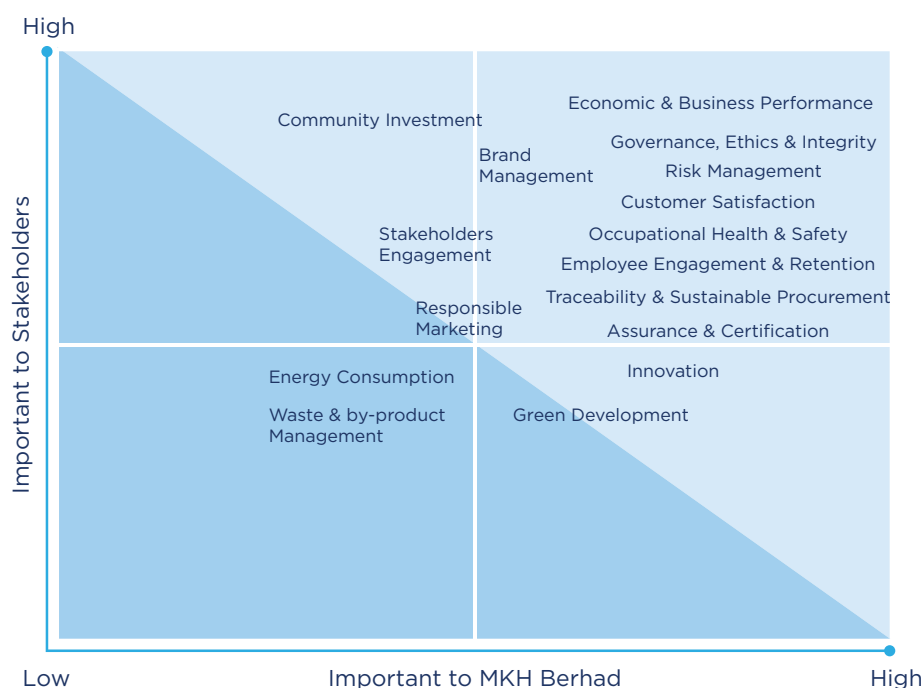
MKH defines and aligns its key topics and core principles with reference to the United Nation's 17 Sustainable Development Goals ("SDGs") enacted in 2015 by the United Nation General Assembly. We share our responsibilities in supporting the efforts of tackling the economic, environmental and social challenges through the implementation of sustainable practices as follows:-

	<p>To drive economic growth and innovation by using our resources efficiently to create value for shareholders via sustainable planning, decision-making, and implementation of business processes</p>
	<p>To operate transparently in compliance with ethical codes of conduct and adopt shared values approach in business and social collaborations that bring positive impact towards internal and external communities</p>
	<p>To responsibly utilise resources with emphasis on recycling waste and energy savings, as well as to initiate continuous development of environmentally-friendly initiatives</p>
	<p>To provide a healthy, safe and empowering environment that encourages the health, growth and productivity of our employees and communities</p>
	<p>To foster diversity and social inclusion by creating an environment where employees are valued without discrimination against gender, race and religion</p>
	<p>To support education for the community and employees with the provision of education aid or access to better learning environment towards academic excellence</p>



## MKH'S MATERIALITY MATRIX

In 2018, the Sustainability Committee carried out an exercise to determine our key sustainability matters most relevant to our business operations relating to the economic, environmental and social aspects. Subsequently, we have identified 16 key material matters that are most relevant to our internal and external stakeholders, as illustrated below.



We believe these are keys to creating value for all our stakeholders, building mutual trust and allowing better insight on community needs as well as market trends in our journey towards a sustainable future.

## STAKEHOLDER ENGAGEMENT

Maintaining a good relationship with stakeholders is a vital part of ensuring our business success. We recognise and value each of our employees, customers, as well as business partners, and we believe by understanding their interests and needs, it fosters lasting and mutually beneficial relationships that enhances our morale, reputation and business performances.

In line with our corporate core values, we strive to engage with our stakeholders respectfully in an efficient, knowledgeable and responsive manner in our journey to deliver holistic value while enabling long-term growth for our businesses, the relevant industries as well as the greater community.



Our workforce is made up of various industry expertise to ensure successful completion of quality products



MKH employees participated in a fund-raising treasure hunt in support of the building of a new Chinese secondary school



MKH regularly gives back to the community through its "MKH CARES" engagement programme



The following table lists our engagement activities with fellow stakeholders to-date:-

No.	Stakeholders	Type of Engagement	Frequency of Engagement
1	Customers	• Written, Social Media & Emailer Communication	• Daily
		• Centralised Sales Galleries	• Daily
		• Customer Feedback Management	• Daily
		• Outreach Events / Roadshow / Open Day	• Ad hoc
2	Employees	• Employee engagement activities	• Regular
		• Written communications	• Regular
		• Departmental meetings	• Regular
		• Employee Development Trainings & Workshops	• Regular
3	Government Agencies / Local Authorities	• Reports	• Regular
		• Written Communications	• Regular
		• Formal Meetings	• Ad hoc
4	Industry Group	• Formal Meetings	• Regular
		• Written Communications	• Regular
5	Investors / Analysts / Fund Managers / Private Equity Firms	• Formal Meetings/Briefing	• Ad hoc
		• Written Communications	• Ad hoc
6	Financial Institutions	• Formal Meetings	• Regular
		• Written Communications	• Regular
7	JV Partners / Business Associates	• Formal Meetings	• Regular
		• Written Communications	• Regular
8	Local Communities / Residents' Associations / Joint Management Bodies	• Formal Meetings	• Regular
		• Written Communications	• Regular
9	Media	• Press Releases	• Regular
		• Written Communications	• Regular
		• Networking Sessions	• Ad hoc
10	Shareholders	• Written Communications	• Regular
		• Quarterly Financial Results	• Quarterly
		• Annual General Meeting	• Annual
11	Vendors / Suppliers / Contractors / Consultants	• Formal meetings	• Regular
		• Project Tender	• Regular
		• Written Communications	• Regular

## SUSTAINABILITY EFFORTS

At MKH, we are guided by the best industry practices in our business operations to produce and deliver quality products to our customers, while also being cognizant of the economic, environment and social aspects of our communities.

To-date, MKH's diverse property portfolio comprises

- 10** townships and mixed developments,
- 23** landed and high-rise residential developments,
- 10** boutique serviced apartment
- 9** commercial developments,
- 8** transit-oriented developments

that are strategically located within Kajang and across the Klang Valley.

## Towards the Economy

By staying abreast of the latest market trends via market studies and identifying the needs of our target audience, we continuously improve our operational productivity through the implementation of innovative new technologies that add value to our businesses.

In embracing modern technology, residents at our stratified residential developments, particularly Kajang East Precinct 2 and Saville @ Cheras, can enjoy better management convenience and efficiency through utilisation of mobile applications. Our modernisation efforts in plantation operations have also benefitted the livelihood of our immediate communities as productivity and efficiency significantly improved following the implementation of mechanical-assisted fresh fruit bunches collection and transportation, as well as software technology to monitor in-field works.

Besides maintaining good relationship with suppliers and contractors, we procure products and services via e-bidding platform, which has enabled us to achieve an average cost-optimisation of at least 4% in FY2018 with faster project tender turnaround time. With aim to provide quality ironmongery for our customers, our Building Materials Trading division had also established its first trademarked product, EGON.

We emphasise on traceability in our operational activities by ensuring responsible sourcing from our supply chain through taking steps to understand respective practices of our suppliers, regular reviews, as well as renegotiating terms of trades in efforts to ensure a sustainable business relationship in the long run. At our oil palm plantation, we also focus on the traceability of external crops procured under the Indonesian Plasma Programme.



Artist's impression of ongoing high-rise development Hillpark Residence comprising serviced apartments and shop-lots located in Semenyih



MKH regularly holds promotional events with viewing of show units at our property sales galleries to attract potential homebuyers



Artist's impression of ongoing transit-oriented high-rise development MKH Boulevard II located next to Kajang KTM and MRT Interchange Station



We respect fellow industry peers and appreciates each engagement and collaboration opportunity to generate greater value for all

Our Property Development and Construction Division has developed a wide range of successful property products to include integrated townships, transit-oriented developments, and affordable homes that caters well to various market demands.

We also acknowledge that strategically joining forces with fellow industry peers is a key factor in making a growing company successful. In line with our continued efforts to expand our land bank, our constant exploration for joint-venture opportunities has enabled the Group to identify and engage development opportunities with relatively lower upfront financial commitment.

Partnering to develop a project also presents our Property Development and Construction Division with the opportunity to adopt new specialised knowledge in the construction industry, which further enhances our product offerings for the greater community. Through our joint-venture company Panasonic Homes MKH Malaysia Sdn Bhd established in 2016, we began to apply the pre-fabricated Industrialised Building System in the development of low-rise residential homes in our ongoing township development Hillpark @ Shah Alam North.

With the aim of improving field production at our oil palm plantation, we have mechanised labour-intensive field operations resulting in average improvement of 20% in man-day

productivity. Careful selection of machinery based on terrain conditions ensured maximum effectiveness for harvesting and evacuation of FFB, shortening the transportation time of crops to the mill. This in turn ensured minimal double-handling of crop evacuation, resulting in optimum oil extraction rate and quality CPO.

As the Plantation Division has loan borrowings mainly in United States Dollar ("USD"), and as such is exposed to movement in foreign exchange, we are vigilant in managing the foreign currency exchange movement and mitigate the effect through exporting some portion of the CPO produced to generate USD income, resulting in a natural hedge.



## SUSTAINABILITY REPORT

MKH Berhad  
Annual Report 2018



Our Quality Assurance team assists in ensuring all property developments are designed and built in compliance with relevant industry standards



Artist's impression of transit-oriented development Nexus @ Kajang Station comprising serviced apartments conveniently located opposite of the Kajang KTM and MRT Interchange Station



Our landed residential developments Eugenia @ Hillpark 3 and Kajang East Precinct 4 were recognised at QCLASSIC Day 2018 for good workmanship

Our Building Materials Trading Division supplies an extensive range of construction and building materials to contractors in the development industry. To ensure a sustainable trading relationship, we ensure that our product quality are in compliance with industry standards and competitively priced by sourcing most of the materials directly from respective manufacturers, in addition to providing credit terms to contractors.

MKH engages certified architects, engineers and contractors for its property development projects through strict tender process. In addition, our Quality Assurance personnel also carry out regular inspection throughout the construction and finishing processes with aim to achieve minimum scores of 75% in QCLASSIC assessments for all our developments.

Through the above efforts, we were ranked 12<sup>th</sup> among Top 30 Property Developers in Malaysia at The Edge Malaysia's Property Excellence Awards 2017 with high scores in value creation, product quality, and expertise. PT Maju Kalimantan Hadapan was also consecutively recognised by the Governor of East Kalimantan Province as well as other local authorities as one of the most efficient plantations in East Kalimantan for its continued efforts in estate management and innovation. Our participation in the Indonesian Plasma Programme has also received awards from local authorities as well as recognition from the communities.

With continued emphasis on building good, strong and lasting business relationships, the management as well as its employees actively engage with various chamber associations and professional groups to gain latest insight on industries relevant to our business operations.







2.5-storey villas at Saville @ The Park, Bangsar are designed and built with solar heaters to reduce electricity consumption



Various signboards on environment preservation and wildlife protection are installed at our oil palm plantation as a visual reminder to in-field workers



Mill effluents are treated in a designated area at the mill and recycled as natural soil fertiliser

## Towards the Environment

Our Property Development and Construction Division incorporates a sustainable approach in building design and utilisation of building materials in our property developments to reduce waste generation.

At the construction sites, existing top soil is preserved where possible for future landscape use, while buildings are constructed in the north-south orientation, where possible, to create cooler living environment for residents. In addition, wastes generated from the construction sites are either recycled for reuse, or timely transported to designated disposal sites.

As we believe that green spaces provide substantial environmental benefits for our communities, we allocate a minimum of 10% land area for landscape in residential development. Our community recreational areas are designed with landscapes that adapt to individual

terrain and locale, with emphasis on planting evergreens that require minimal maintenance efforts.

In recognising the importance for sustainable living environment, we implemented various energy-saving practises across our business operations. Solar photovoltaic panels installed at our shopping malls in Kajang have successfully reduced utility bills by up to 22%. Besides increasing our adoption of environment-friendly initiatives in our property developments, certified green building materials and fittings are also part of our Building Materials Trading Division's product offerings to contractors.

In addition, our employees are also encouraged to practise energy saving faithfully at the workplace by switching lights and appliances off when not in use.

We are committed to preserve a healthy ecosystem at our plantation

estates via good estate management practices such as zero-burning policy in the planting of oil palm trees, and putting up various signboards on environment preservation and wildlife protection as a constant reminder to in-field workers as they carry out their daily duties.

To ensure that our estates are responsibly managed at above average standards, we work closely with the Indonesian Department of Environment. Drainage and irrigation systems are built to ensure optimum water levels to promote growth of oil palm trees, and we also reduce application of agrochemicals through the use of natural alternatives such as planting of beneficial plants to combat pests.

Effluents from our CPO mill are treated using anaerobic, aerobic and facultative ponding system, and subsequently used as natural soil fertiliser in approximately 600 hectares of the Group's plantation estate.

## SUSTAINABILITY REPORT

MKH Berhad  
Annual Report 2018



Organic wastes such as fruit skins are regularly collected from our headquarters and processed into natural compost for our development's landscape



MKH regularly engages with industry peers in efforts to facilitate good relationship through sharing expertise and knowledge



While the practice to reduce, reuse and recycle is observed, recycle bins are provided at our high-rise residences, shopping malls, and workplace. Organic wastes are periodically collected and recycled into natural composts at our headquarters, which are used as fertilisers in our developments' landscape. Waste paper and plastic materials are collected from headquarters periodically to be sent to respective recycling service providers for further processing.

In support to reduce carbon-footprints and encourage public transportation ridership, we have also taken to build transit-oriented developments that are directly connected or well-within walking distances to public transit points.

Our employees are encouraged to practise water-saving habits by minimising water wastage in the washrooms and pantries, while at our investment properties, notices and posters encouraging efficient water usage are put up at designated areas to encourage tenants, customers and guests to utilise water responsibly.

### Towards the Society

As a responsible corporate citizen, MKH aspires to foster a stable relationship while creating value for our key stakeholders, comprising customers, shareholders, regulators, and the greater community within the environment where our businesses operate in.

We believe respect in the workplace is fundamental to good performance and engagement. The Group respects and appreciate diversity in our workforce, and do not tolerate discrimination against anyone on the basis of race, religion and gender. As at end-September 2018, we have a dedicated workforce of over 4,300 people, comprising 72% male and 28% female employees of respective local origins ethnicity backgrounds.

We regard work safety as one of the top priorities for our workforce. Prior to the commencement of any construction works, proper site hoardings are installed as a safety measure. Safety officers and site managers are tasked to ensure that their site workers are appropriately dressed in safety attires while carrying out their work.



Our Group Managing Director Tan Sri Datuk Eddy Chen is an active committee member in various government-private sector organisations that formulate policies governing the housing and real estate industry





MKH takes personal safety at the workplace very seriously, and ensures that its employees are well-informed of basic first-aid know-how in case of emergencies



Zumba classes are held every Thursday at our headquarters' studio gym as part of our efforts to encourage employees to lead healthy lifestyles



Fellow colleagues representing MKH in the Bursa Bull Challenge in support of a good cause to help underprivileged communities

Additionally, regular trainings are carried out for our employees to ensure that they are equipped with the proper knowledge of standard precautions while carrying out in-field and on-site duties in their respective work environments without risking injuries. A total of 798 hours of safety-related trainings were organised within the reporting year to educate MKH employees on proper precaution against hazards associated with their respective responsibilities.

MKH cares about the welfare of its employees. We progressively innovate to create a fully integrated work culture that emphasise on providing various welfare benefits such as dental and health care in recognition and appreciation of the dedicated hard work by fellow employees. Special arrangements such as designated parking for pregnant employees are also provided for mobility convenience, and birthdays are celebrated with the giving of gift vouchers.

Our headquarters in Kajang, Selangor is equipped with a studio gym within the office building where employees can enjoy at their leisure, or provision of membership subsidisation for gym-goers to external fitness centres to facilitate positive work-life balance among the employees. To further promote healthy lifestyle, a daily 10-minute exercise regime is also practised before working hours in the mornings and weekly after-work Yoga and Zumba classes are also provided, while fresh fruits and herbal teas are provided on alternate days for the employees' well being.

Employee engagement has emerged as a vital driver of business success in today's competitive marketplace, and maintaining employees' loyalty is key. To encourage our employees' commitment towards our organisational goals, values and success, our HR and Administration Department has organised 9 employee engagement activities, comprising after-work gatherings, free health talks and health screenings, in addition to festive gatherings during major festive celebrations throughout the year.



We are mindful of the need to constantly upskill our workforce and provide equal opportunities of personal and career enhancement within the Group. With the aim to nurture a strong human capital with competitive edge, we also enforce a mandatory fulfilment of 16 training hours yearly for our employees, in efforts to develop skilled employees through internal and external trainings that enhances both soft and technical skills relevant to their work. As at September 2018, our employees have attended total of 135 trainings and workshops amounting to 5,529 training hours.

We note that fair compensation is essential in motivating and engaging workforce to achieve our growth ambition. We set ourselves the target of creating a structured way to define and assess compensation packages through yearly key performance indicator assessments in ensuring fair compensation for our employees, as well as practise internal promotion to eligible employees to hold higher responsibilities. In recognition of each individual's efforts and dedication, MKH rewards its employees with bonuses and salary increment benchmarked against the industry average.

In the social realm, we strive to also foster high quality working relationship with local authorities, interest groups, joint venture partners, bankers, suppliers, contractors, as well as agencies in our mission to create and deliver sustainable value to all our stakeholders. We work closely with industry associations, participate in multi-sector forums, and meet with socially responsible investors to gain diverse and valuable perspectives as we continuously improve our sustainable development programs and initiatives. Our key management members also play active roles in advocating the growth and advancement of the industry with present memberships in non-governmental organisations that also contribute to improving the welfare of the greater community.

We recognise that the journey towards a sustainable future begins with ourselves, and we are committed to fulfil our role as a responsible corporate citizen in our mission to generate long-term growth for our businesses and also ensure value creation for our immediate communities.



Regular trainings and workshops are organised to upskill our employees



Filtered clean water is provided for the benefit of over 10,000 community members residing in our oil palm plantation



MKH employees bonding over seasonal fruits in an after-work fiesta organised by our HR and Administration Department







Artist's impression of Kajang East Precinct 1 designed with various recreational facilities to encourage healthy living for its residents



MKH's social investment efforts also include supporting and nurturing talents in youth sports

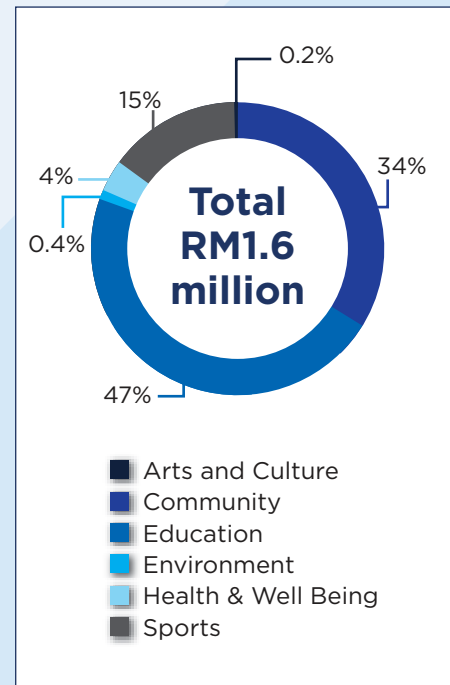
In supporting and adding value to the communities-in-need where our employees live and work in, we also ensure that our residential developments are ideal for multi-generational living with the adoption of universal designs, recreational and landscape creation as well as provision of various outdoor exercise facilities with enhanced liveability value for its surrounding neighbourhoods for wholesome community engagement.

In continual exploration of ways to enhance living experience for residents of our projects, the Group innovated with the setting up of online portals for certain newly handed over projects that provides added communication channels to the building management and various residence services, such as monthly maintenance payments and booking of common facilities. Initially a mobile application, this pilot programme has evolved to include a website platform for residents' convenience.

Being mindful of the need to invest in the community, we also proactively engage with the people through various corporate social responsibility activities, including visitations, charity donation drives, festive celebrations with orphanages and old folks' homes as well as sports outreach programmes. We encourage employees who are passionate about making a difference in the community to participate in our engagement activities as volunteers via our "MKH CARES" community programme, where we achieved approximately 590 volunteer hours from participating in 39 CSR projects in FY2018.

Besides community engagement activities, we have also contributed approximately RM1.6 million to the community in this reporting period, attributable to donations to charitable organisations, the development of community-oriented facilities, disaster relief programmes, educational activities that promote academic excellence as well as community initiatives that improve health and well being for all.

#### MKH's Social Investments in FY2018





Our Group Executive Chairman Tan Sri Dato' Alex Chen handing over electric meter to the Head of Desa Puan Cepak, as part of our community engagement initiatives under the Indonesian Plasma Programme

The Group continues to play its part in upgrading essential facilities built for the benefit of the 10,000 community members within our oil palm plantation. Among others, there are the 24-hour community clinic that was recently upgraded with special care room and essential medical equipment, road expansion to provide better access for the growing community as well as cultivation of organic produce for the consumption of the community. With the increased number of students as estate population increased year-on-year, we have also added more classrooms and teachers to empower the children of our workers.

Through the Indonesian Plasma Programme, the Group provides job opportunities and shares knowledge in planting and estate management, as well as the transfer of technology to the local community. This has allowed them to have better quality of living through higher income.

As a seasoned builder of mass market and affordable housing, we commit to escalate our brand presence in the real estate industry as well as engage the community where the company operates through responsible marketing campaigns.

The Board is of the view that the existing sustainability practices adopted are adequate and pertinent to steer the Group's sustainable growth. Nonetheless, it will consider the need to implement other sustainability practices, as appropriate, to compliment existing ones as the Board monitors the sustainability performance of the Group's operations on an ongoing basis.



The community clinic operates 24-hours a day to tend to the medical needs of our estate community



Over 800 children of our estate workers are provided with schooling opportunities while their parents are at work

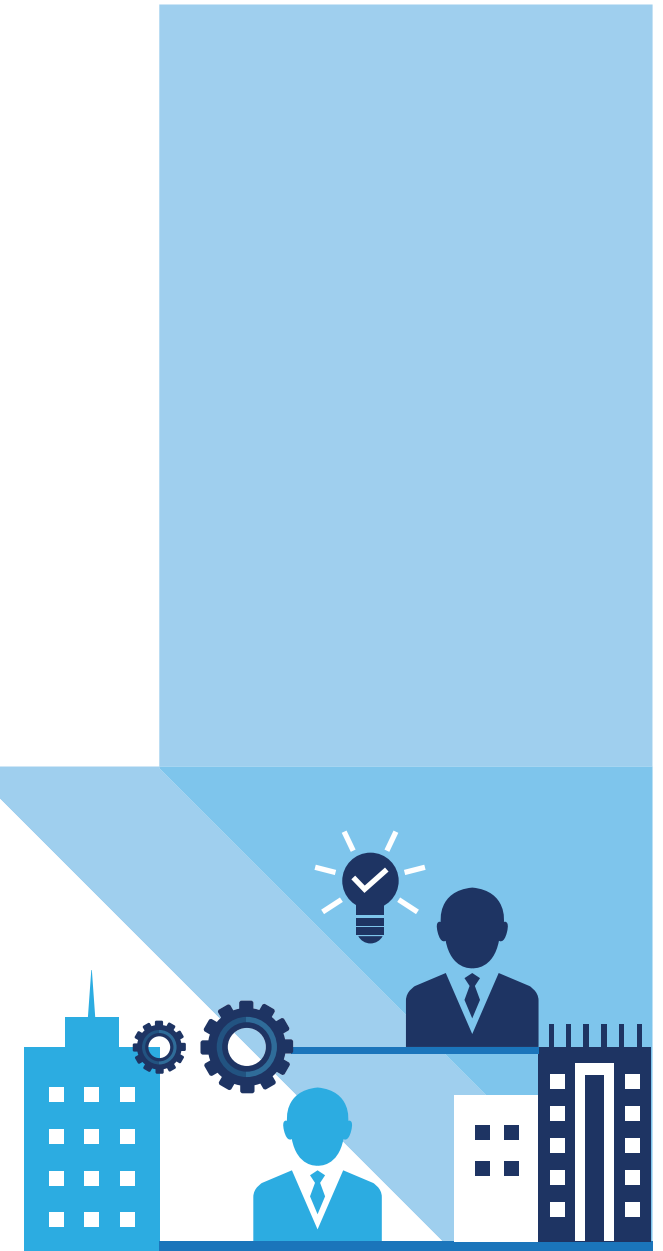






Artist's impression

# LEVERAGING ON EXPERTISE





**DIRECTORS'  
PROFILE****Tan Sri Dato' Chen Kooi Chiew  
@ Cheng Ngi Chong****Group Executive Chairman**

- Aged 75
- Male
- Malaysian

**Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong** serves as the Group Executive Chairman since 30 October 2006. He was appointed to the Board on 27 September 1979, and is also a member of the Group's Board of Directors and Executive Committee as well as Director of Intelek Murni (M) Berhad, a subsidiary of MKH Berhad.

Other than real estate and property development, he has successfully led the Group to establish and develop oil palm plantation as one of MKH's present core businesses. To-date, he has been involved in business for about 58 years, of which 40 years were in property development and construction industry, and 26 years were in plantation sector.

In recognition of his vast knowledge and experience in the business industry, he was the recipient of "World Chinese Economic Summit Lifetime Achievement Award 2017" and "The International Real Estate Federation (FIABCI) Malaysia Property Man of the Year 2013".

He is generous in supporting community and educational causes, and is also the Chairman for Hulu Langat Chinese & Commerce Association as well as Chairman for Yu Hua National Primary and Secondary School Board.

Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong is the brother of Tan Sri Datuk Chen Lok Loi and Datuk Chen Fook Wah. He has no conflict of interest with the company.

**Tan Sri Datuk Chen Lok Loi****Group Managing Director**

- Aged 66
- Male
- Malaysian

**Tan Sri Datuk Chen Lok Loi** holds a Bachelor of Business Studies (Marketing) from Monash University, Australia. He was appointed to the Board on 31 July 1984 and holding the present position as Group Managing Director since 19 January 2005. He is also a member of the Executive Committee and a Director of GK Resort Berhad and Intelek Murni (M) Berhad, both subsidiaries of MKH Berhad.

He is the recipient of "The Edge Malaysia Outstanding Property CEO Award 2018", "CIDB's Malaysian Construction Industry Excellence Awards CEO Of The Year Award 2015" and "Real Estate and Housing Developers' Association ("REHDA") Personality Award 2013". He has 37 years of experience in property development and construction related businesses and has been appointed as the Chairman of Perbadanan PRIMA Malaysia ("PRIMA") on 1 October 2018. He is a patron of REHDA Malaysia and serves as a National Council and Executive Committee Member of REHDA Malaysia as well as the Board of Advisors for Malaysia Shopping Malls Association.

He is an active committee member in various government-private sector organisations that formulate policies governing the housing and real estate industry; holding current positions as the Advisory Council Member of Construction Labour Exchange Centre Berhad and member of PEMUDAH Special Task Force on Kuala Lumpur City Hall. An advocate of healthy living, he is also the President of the Race Walkers' Association of Malaysia.

Tan Sri Datuk Chen Lok Loi is the brother of Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong and Datuk Chen Fook Wah. Notwithstanding his appointment as the Chairman of PRIMA, he has no conflict of interest with the Group as his role is to preside over meetings of PRIMA and to share views and give suggestions based on his vast experience in the property development industry. The policies and business directions of PRIMA are jointly formulated by Members of PRIMA Corporation comprising of the Chairman, representatives of the Federal Government, other members and the Chief Executive Officer ("CEO"). The CEO of PRIMA is responsible in carrying out the overall administration and management affairs of PRIMA.

## DIRECTORS' PROFILE

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### Datuk Chen Fook Wah

#### Deputy Managing Director

- Aged 62
- Male
- Malaysian

**Datuk Chen Fook Wah** holds a Master of Business Administration from University of Wales. He was appointed to the Board on 25 November 1999 and holding the present position as Deputy Managing Director since 19 January 2005. He is currently a member of the Executive Committee and also a Director of GK Resort Berhad, a subsidiary of MKH Berhad. He was admitted to the Board of Valuers and Real Estate Agent of Malaysia in 1986. Prior to joining the Group, he was with Guthrie Trading Sdn Bhd from 1973 to 1974 and Hilton Realty from 1975 to 1978.

He is the brother of Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngı Chong and Tan Sri Datuk Chen Lok Loi. He has no conflict of interest with the Company.

### Datuk Mohammad bin Maidon

#### Independent Non-Executive Director

- Aged 77
- Male
- Malaysian

**Datuk Mohammad bin Maidon** was appointed to the Board on 27 February 2014. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee. He holds a Degree in Business Administration from Universiti Teknologi MARA.

He started his career in the marketing division of Colgate-Palmolive (Malaysia) Sdn Bhd ("Colgate-Palmolive") in 1965 and later in the Human Resources Division until his retirement in 1999 with his last position as a Senior Director of Human Resources and Corporate Affairs. He was responsible for the Halal program of Colgate-Palmolive and had been working closely with Jabatan Kemajuan Islam Malaysia and Halal Development Corporation. He is an active member of the Halal Management Team of Colgate-Palmolive from 1980 to 2000 and is still a board member of Colgate-Palmolive as at this date.

He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

### Haji Mohammed Chudi bin Haji Ghazali

#### Senior Independent Non-Executive Director

- Aged 75
- Male
- Malaysian

**Haji Mohammed Chudi bin Haji Ghazali** was appointed to the Board on 19 March 2003. He is also a member of the Audit Committee and Chairman of the Nomination Committee. He was attached to Standard Chartered Bank Malaysia Berhad for 36 years and was a Senior Manager prior to his retirement in 1999. He attended banking courses conducted at National Westminster Bank Staff College, Oxford and Manchester University Business School.

He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

DIRECTORS'  
PROFILE**En. Jeffrey bin Bosra****Independent Non-Executive Director**

- Aged 50
- Male
- Malaysian

**En. Jeffrey bin Bosra** was appointed to the Board on 1 August 2008. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee. He is currently a member of The Malaysian Institute of Certified Public Accountants ("MICPA") and The Malaysian Institute of Accountants ("MIA"). He started his professional career with Arthur Andersen & Co. focusing on external audits and business advisory works. He later joined an established commercial group as the Finance Manager from 1996 to 2000. He then joined Ernst & Young as the Senior Manager specialising in corporate governance, risk management, internal audits, special investigation and turnaround management related service. He left Ernst & Young in 2004 and started his own audit firm.

He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

**Haji Hasan Aziz bin Mohd Johan****Independent Non-Executive Director**

- Aged 79
- Male
- Malaysian

**Haji Hasan Aziz bin Mohd Johan** was appointed to the Board on 18 July 2013. He is also a member of the Audit Committee. He holds a Diploma in Agriculture Malaya from College of Agriculture, Serdang, Selangor Darul Ehsan. He started his career in 1962 at the Department of Agriculture, Kuantan, Pahang under the Ministry of Agriculture (soil science division). He was appointed as the advisor to an oil palm plantation company, Watawala Plantations Ltd in Sri Lanka from 2001 to 2003 and later engaged as a Visiting Agent for some of FELCRA Berhad's plantations from 2009 till 2010.

He does not have any family relationship with any other Directors and/or major shareholders of the Company and has no conflict of interest with the Company.

**Additional Information:**

1. Save as disclosed in the profile of Directors, Tan Sri Dato' Chen Kooi Chiew @ Cheng Ng Chong, Tan Sri Datuk Chen Lok Loi and Datuk Chen Fook Wah have no other directorship in public companies and listed issuers.
2. Save for Tan Sri Dato' Chen Kooi Chiew @ Cheng Ng Chong, Tan Sri Datuk Chen Lok Loi and Datuk Chen Fook Wah, none of the other Directors has any family relationship with any Director and/or major shareholder of the Company.
3. None of the Directors have:
  - (i) any conflict of interest with the Company;
  - (ii) been convicted of any offence (other than traffic offences, if any) within the past 5 years; and
  - (iii) been imposed with any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4. Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Statement on page 55.

## PROFILE OF KEY SENIOR MANAGEMENT

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### Dato' Chong Yong Han

#### Property Director

- Aged 47
- Male
- Malaysian

He was appointed as a Property Manager in Property Development Department of MKH Berhad and was later promoted to General Manager of Property Department in December 2002, Group Senior General Manager in April 2007 and Property Director in March 2013.

He graduated from Lincoln University, New Zealand with Bachelor of Commerce (Valuation and Property Management) in year 1994 and obtained his MBA (Real Estate) in year 2000 from University of Western Sydney, Australia.

He has more than 17 years of experience in property development and construction related businesses. He specializes in development planning and marketing.

### Dato' Lee Khee Meng

#### Plantation Director

- Aged 40
- Male
- Malaysian

He holds a Bachelor of Science (Honours) in Economics and Management from University of London, UK. He had further undertaken Certified Credit Professional examinations from the Institute of Bankers Malaysia.

Having started his career as a corporate banker in Malaysia, he moved on to management roles in other industries, with exposure in Southeast Asia and Europe. In 2011, he began his career with MKH Berhad and currently heads the Group's agriculture division.

He is passionate about sustainable palm oil practises and has been an international delegate at Indonesia Palm Oil Conferences since 2012. He has been regularly invited by authorities and industry players to share his views on policies, initiatives, and innovative practices relevant to the oil palm industry.

### Dato' Chen Way Kian

#### Deputy Property Director

- Aged 34
- Male
- Malaysian

He holds a Bachelor of Business from University of Technology, Sydney. He joined MKH Berhad in 2005 and has been appointed as the Deputy Property Director of MKH Berhad on March 2015. Prior to his appointment to the present position, he was Special Assistant to the Group Executive Chairman since 2011. He has been in the property development and agricultural sectors for more than 12 years.

He is the son of Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong and the nephew of Tan Sri Datuk Chen Lok Loi and Datuk Chen Fook Wah who are members of the Board of the Company.



PROFILE OF  
KEY SENIOR MANAGEMENT**Ms. Kok Siew Yin****Chief Financial Officer**

- Aged 46
- Female
- Malaysian

She is a fellow member of the Association of Chartered Certified Accountants (FCCA) and a member of the Malaysian Institute of Accountants (MIA).

She is the Chief Financial Officer for MKH Berhad group of companies. She has more than 14 years of audit experience in property development, construction, hotels, retail, manufacturing and timber plantation industry. She was also involved in corporate advisory and has experience in financial valuation and financial due diligence for companies. She joined MKH Group in 2004 as a Corporate Finance Manager and was promoted to Financial Controller in 2008 and Chief Financial Officer in 2015.

**Mr. Tan Wan San****Chief Treasury Officer / Group Company Secretary**

- Aged 50
- Male
- Malaysian

He is the Chief Treasury Officer and Group Company Secretary for MKH Berhad group of companies. Prior to joining MKH Berhad Group in 1996, he was with a bank. He graduated from Universiti Utara Malaysia with a Bachelor Degree in Accountancy (Honours) and is a Chartered Accountant registered with the Malaysian Institute of Accountants and is a member of Certified Practising Accountant ("CPA"), Australia. He was promoted to Chief Treasury Officer in 2015.

He has more than 25 years of senior-level management experience in company secretarial, legal and treasury matters.

**En. Ahmad Yani Sulaiman****General Manager**

- Aged 52
- Male
- Malaysian

He was appointed as a Senior Manager in Property Development Department of MKH Berhad in 2007 and was promoted to General Manager in 2016.

He started his career as an auditor in 1991 upon graduating from ITM in Accounting Studies.

In 2001, he joined a property developer and was overseeing the Sales and Marketing portfolio and was later redesignated to be a Project Manager overseeing property development.

Save as disclosed, none of the Key Senior Management have:-

- any directorship in public companies and listed issuers;
- any family relationship with any Directors and/or major shareholders of the Company;
- any conflict of interest with the Company;
- any conviction for offences within the past 5 years other than traffic offences, if any; and
- any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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The Board of Directors (“Board”) of MKH Berhad recognise the importance of promoting good corporate governance to ensure long term sustainability, growth and delivering value.

The Board is pleased to present the Corporate Governance Overview Statement (“CG Overview Statement”), which is made pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) to the shareholders on the manner MKH Berhad (“MKH” or “the Company”) and its subsidiaries (“the Group”) has applied the key Principles and Practices in accordance with the Malaysian Code on Corporate Governance 2017 (“the Code”) during the financial year ended 30 September 2018.

This overview statement is to be read together with the Corporate Governance Report (“CG Report”), made pursuant to Paragraph 15.25(2) of the MMLR which articulates the application of the Company’s corporate governance practices as set out in the CG Report. The CG Report is available on the Company’s website at [www.mkhberhad.com](http://www.mkhberhad.com) and Bursa Malaysia website.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

#### 1. Board Duties and Responsibilities

The Board is primarily responsible for the Group’s overall strategic plans, business performance, overseeing the proper conduct of the Group’s business, risk management, succession planning, investor relations, shareholders’ communication, internal control, corporate governance practices and statutory matters.

To ensure effective discharge of its responsibilities, the Board delegates specific powers to other Board Committees and the management as prescribed under the Code namely, Executive Committee, Audit Committee, Nomination Committee, Remuneration Committee, Risk Management Committee and Sustainability Committee to ensure appropriate checks and balances in discharging its oversight function. These committees operates under clearly defined terms of reference as approved by the Board to oversee and deliberate matters within their purview.

The Board Charter, which was last reviewed in December 2018, would be periodically reviewed by the Board as and when required. The Board Charter which outlines the duties and responsibilities of the Board and matters specifically reserved for collective decision of the Board, serves as a source of reference and primary induction literature for Directors in discharging their duties. The Board Charter is available for viewing at [www.mkhberhad.com](http://www.mkhberhad.com).

#### 2. Chairman of the Board

The Board is led by an experienced Executive Chairman, who is accountable for ensuring the integrity and effectiveness of the governance process of the Board.

The Executive Chairman is primarily responsible for the orderly conduct of the Board meetings and ensure effectiveness of the Board as well as to ensure that all strategic and critical issues are discussed by the Board in a timely manner.

## I. BOARD RESPONSIBILITIES (Cont'd)

### 3. Separation of Position of Chairman and Chief Executive Officer (“CEO”)

The roles and responsibilities of CEO in the Company is assumed by the Managing Director (“MD”). There is a clear division of responsibilities to ensure a balance of authority and power as the roles of the Chairman and the Managing Director are held by two different individuals. The responsibilities of the Chairman and the MD are set out in the Board Charter.

The MD is responsible for the development and implementation of the Board policies and business direction, formulating business strategies for the Group’s business operation based on effective risk management controls and overseeing and managing the day-to-day operation of the Group, including defining the limits of Management’s responsibilities.

### 4. Qualified and Competent Company Secretary

The Board is supported by a qualified and competent Company Secretary in carrying out its roles and responsibilities and ensuring that Board meeting procedures are followed. The Board has direct access to the professional advice and services of the Company Secretary especially relating to procedural and regulatory requirements such as Company and securities laws and regulations, governance matters and MMLR of Bursa Securities. The profile of the Company Secretary is provided on page 48.

The Company Secretary attends the Board Meetings and Board Committees’ meetings to ensure that all deliberation of issues discussed and decisions/conclusions made are recorded accurately. The Company Secretary also facilitates timely communication of decisions made by the Board at Board Meetings to the Senior Management team for action and work closely with the Senior Management team to ensure that there are timely and appropriate information flow within and to the Board and Board Committees, and between the Non-Executive Directors and the management.

The Company Secretary constantly keep himself abreast with the latest regulatory changes and/or development in corporate governance by attending the necessary trainings, conferences, seminars and/or workshops to ensure effective discharge of his advisory role to the Board.

### 5. Access to Information and Advice

The Board have access to all information within the Company on matters requiring information for deliberation. The Board may seek independent professional advice, at the Company’s expense, if required in furtherance of their duties.

The notice of Board meeting and the board papers (non-financial meeting materials) are circulated at least seven (7) days prior to the meeting whilst the financial meeting materials are circulated at least three (3) days prior to the meeting.

The board papers are issued in advance thus given sufficient time for the Board members to peruse the matters that will be tabled at the Board meeting and this enhances the overall decision-making process. The MD, Chief Financial Officer and Group Company Secretary would lead the presentation of board papers and provide comprehensive explanations of business plans, business performance, corporate proposals (if any), progress reports on operations in relation to the risk management and other pertinent issues.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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### I. BOARD RESPONSIBILITIES (Cont'd)

#### 5. Access to Information and Advice (Cont'd)

The Board has full access to both internal and external auditors and received reports on audit findings via the Audit Committee. All matters raised, discussions, deliberations, decisions and conclusions including dissenting views made at the meeting are recorded in the minutes of meeting.

The Board is also regularly updated and kept informed by the Company Secretary and the management on corporate disclosures and compliance with company and securities regulations and listing requirements such as restriction in dealing with the securities of the Company and updates on the latest developments in legislations and regulatory framework affecting the Group issued by the various regulatory authorities.

#### 6. Board Charter

The Board has adopted a Charter, which sets out the Board's strategic intent and outlines the Board's roles and responsibilities including the vision and mission and principles of the Company and the policies and strategy development of the Group. The Charter also serves as a source of reference and primary induction literature, providing insights to new Board members and matters specifically reserved for collective decision of the Board.

The Charter will be periodically reviewed and updated in accordance with the objectives and responsibilities of the Board and any new regulations that may have an impact on the discharge of the Board's responsibilities.

#### 7. Code of Ethics and Conduct

The Board is committed to create a corporate culture that adhere to the best practices of corporate governance and to uphold high standard of corporate conduct. The Code of Ethics and Conduct ("the Ethics Conduct") which set out the ethical standards and appropriate conduct at work adopted by the Group and is applicable to all employees and Directors of the Group.

The Ethics Conduct covers the areas of conflict of interest, confidential information, insider information and securities trading, protection of Group's assets and etc. The details of the Ethics Conduct are available for reference at the Company's website at [www.mkhberhad.com](http://www.mkhberhad.com).

#### 8. Whistleblowing Policy

The Board has put in place Whistleblowing Policy, a mechanism for its employees and stakeholders to report any concerns relating to possible improper conduct within the Company in matters relating to financial, compliance, misconduct, wrongdoing and other malpractices in an appropriate manner. The Group encourages its employees to raise genuine concerns within the Group in an appropriate way without the fear of retaliation and the identity of the whistleblower will be protected and kept confidential. The Whistleblowing Policy is posted on the Company's website at [www.mkhberhad.com](http://www.mkhberhad.com) for ease of reference.

## II. BOARD COMPOSITION

The Board presently have Seven (7) members comprising three (3) Executive Directors including the Chairman and Managing Director and four (4) other Independent Non-Executive Directors. This is in line with Chapter 15.02 of the MMLR of Bursa Securities, which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are independent directors and the best practice where the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

The Board has identified and appointed Haji Mohammed Chudi bin Haji Ghazali as the Senior Independent Non-Executive Director to whom concerns of shareholders, management, employees, and others may be conveyed by way of writing to the Company's registered address or electronic mail to [chudi@mkhberhad.com](mailto:chudi@mkhberhad.com) or contact via Tel: +603-8737 8228.

The Independent Directors led by Haji Mohammed Chudi bin Haji Ghazali provide a broader view, independent and balanced assessment of proposals from the Executive Directors.

The Board having reviewed its size and composition is satisfied that its current size and composition is well balanced, with diverse professional background, skills, expertise and knowledge in discharging its responsibilities for the proper functioning of the Board and fairly reflects the investment in the Company by shareholders apart from the largest shareholder. Furthermore, the current number of Board members is conducive for efficient deliberations at Board meetings and effective conduct of Board decision-making.

Brief profile of each Director is detailed under Profile of Directors in this Annual Report.

### 1. Independence

The Board supports the highest standards of corporate governance and the development of best practices for the Company. The concept of independence adopted by the Board is in line with the definition of an Independent Director under Paragraph 1.01 and Practice Note 13 of the MMLR of Bursa Securities, i.e. independent from management and are free from any business or other relationships that could materially interfere with the exercise of their independent judgement. Independent Non-Executive Directors are required to voice their reservations of any Board decisions in areas such as policies and strategies which could be detrimental to the interest of the minority shareholders.

### 2. Tenure of Independent Directors

The Board is mindful of the recommendation of the Code that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an Independent Director may continue to serve on the Board subject to being re-designated as a Non-Independent Non-Executive Director.

However, the Company does not have term limits for its Independent Directors as the Board believes that continued contribution provides benefits to the Board and the Company as a whole. The length of service on the Board does not in any way interfere with the exercising of independent judgement, expressing views and in participating in deliberations and decision making of the Board and Board Committees.

There are four (4) Independent Non-Executive Directors on the Board presently. As at this date, two (2) Independent Directors, namely En. Jeffrey bin Bosra and Haji Mohammed Chudi bin Haji Ghazali, both have served on the Board for a cumulative term of more than nine (9) and twelve (12) years respectively.

The Board upon the recommendation of the Nomination Committee has approved and intends to seek shareholder's approval at the forthcoming AGM to retain En. Jeffrey bin Bosra, who has served on the Board for a cumulative term of more than nine (9) years to be retained as an Independent Director.

The Board will continue to undertake a two-tier voting to seek shareholder's approval at the forthcoming AGM to retain Haji Mohammed Chudi bin Haji Ghazali, who has served on the Board for a cumulative term of more than 12 years to be retained as Senior Independent Non-Executive Director of the Company.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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## II. BOARD COMPOSITION (Cont'd)

### 3. Board Diversity

The Board comprises of members who are specialised in the property development and construction sector, banking sector, plantation/agriculture sector, professional in accounting sector and human resource sector. This wide spectrum of competencies, capabilities, skills and relevant business experience provide the Board with a diverse set of expertise and knowledge in discharging its responsibilities for the proper functioning of the Board and ensure that the Group continues to be competitive within its diverse industry segment.

The current Board composition in terms of each of the Director's Industry and/or background experience and age is as follows:

Directors	Industry/Background Experience					Age Composition			
	Property Development and Construction	Banking	Plantation / Agriculture	Professional in Accounting	Human Resource	40 to 49 years	50 to 59 years	60 to 69 years	70 to 79 years
Tan Sri Dato' Chen Kooi Chiew @ Cheng Ng Chong	✓		✓						✓
Tan Sri Datuk Chen Lok Loi	✓							✓	
Datuk Chen Fook Wah	✓							✓	
Datuk Mohammad bin Maidon					✓				✓
Haji Mohammed Chudi bin Haji Ghazali		✓							✓
En. Jeffrey bin Bosra				✓			✓		
Haji Hasan Aziz bin Mohd Johan			✓						✓

### 4. Gender Diversity

The Board acknowledges the importance of diversity in its membership, including gender, ethnicity and age, and strives to maintain the right balance for effective functioning of the Board. The Board is mindful of the recommendation of the Code to have at least 30% women decision-makers in the corporate sector for Large Companies. However, the Board has not established the policy on gender diversity.

Nevertheless, the Nomination Committee would take steps to ensure suitable woman candidates are sought for appointment as the Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company so as to ensure balances gender and skills diversity, ethnicity and age within the Group.



**II. BOARD COMPOSITION (Cont'd)****5. Nomination Committee**

The Nomination Committee was established on 27 November 2012 and comprises of two (2) members, all of whom are Independent Non-Executive Directors and they are responsible to make independent recommendations for new appointments to the Board. The members of the Nomination Committee and their attendance at the Nomination Committee meeting held during the year under review are as follows:

<b>Name</b>	<b>Designation</b>	<b>Attendance</b>	<b>Percentage</b>
Haji Mohammed Chudi bin Haji Ghazali	Chairman	1/1	100%
Haji Mohamed bin Ismail*	Member	1/1	100%
Datuk Mohammad bin Maidon^	Member	N/A	N/A

\* *Demised on 14 May 2018*

^ *Appointed on 30 May 2018*

N/A *Not Applicable*

The summary of activities undertaken by the Nomination Committee in the discharge of its duty for the financial year under review are as follows:

- i) reviewed the Directors who were due for re-election by rotation and/or re-appointment;
- ii) reviewed the Board's required mix of skills, current size and composition, experience and other qualities including the core competencies which Independent Non-Executive Directors should bring to the Board;
- iii) evaluated the independence of the Independent Non-Executive Directors based on the criteria of "Independence" as prescribed in the Listing Requirements and the Corporate Governance Guide issued by Bursa Malaysia;
- iv) assessed and evaluated the effectiveness of the Board based on specific criteria such as Board composition and structure, principal responsibilities of the Board, the Board process and Board governance;
- v) assessed and evaluated the individual Directors' performance and the effectiveness of the Board as a whole together with the Audit Committees' performance;
- vi) identified suitable training programmes for the Directors and Audit Committee; and
- vii) deliberated on the findings of the assessments and reported the findings to the Board.

The terms of reference of the Nomination Committee are available for reference at [www.mkhberhad.com](http://www.mkhberhad.com).

**6. Board and Board Committee Evaluation**

The Nomination Committee also assesses the effectiveness of the Board as a whole and Audit Committee and the contribution of each individual Director, including Independent Non-Executive Directors on an annual basis. The evaluation process was led by the Nomination Committee's Chairman and supported by the Company Secretary. The evaluation results were considered by the Nomination Committee, which then made recommendations to the Board with the aim of helping the Board to discharge its duties and responsibilities. The evaluation was based on specific criteria such as Board composition and structure, principal responsibilities of the Board, the Board process and Board governance.

The Nomination Committee conducted the Board members performance evaluation via questionnaires which covers Board's effectiveness as a whole together with Directors' self- assessment. The Directors' self-assessment was conducted to evaluate the mix of skills, experience and the individual Director's ability to contribute and exercise independent judgement towards the effective functioning of the Board. The Nomination Committee also conducted the review of the Audit Committee members' performance via questionnaire and self and peer evaluation form to ensure a balanced and objective review by the Directors and the Audit Committee for the abovementioned key areas.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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## II. BOARD COMPOSITION (Cont'd)

### 6. Board and Board Committee Evaluation (Cont'd)

The Nomination Committee also evaluates the independence of the Independent Non-Executive Directors based on the criteria of "Independence" as prescribed in the MMLR of Bursa Securities.

During the deliberation of the performance of an individual Director who is also a member of the Nomination Committee, that member will abstain from the deliberation of his or her own performance to avoid any conflict of interests.

The Nomination Committee, pursuant to the annual review that was carried out, was satisfied that the size of the Board is optimum, well-balanced with the appropriate mix of skills and experience for the composition of the Board and its Committees. All assessments and valuation carried out by the Nomination Committee in discharging its duties were also properly documented.

### 7. Board Meetings

The Board meets at least four (4) times a year and has a formal schedule of matters reserved to it. Additional meetings are held on an ad-hoc basis to deliberate on matters requiring its immediate attention. The Board is supplied with full and timely information to enable it to discharge its responsibilities. During these meetings, the Board reviews the Group's financial performance, business operations, reports of the various Board Committees and results are deliberated and considered. Management and performance of the Group and any other strategic issues that affect or may affect the Group's businesses are also deliberated.

During the financial year, the Board met five (5) times; whereat it deliberated and considered a variety of matters affecting the Company's operations including the Group's financial results, business plan and direction of the Group.

The attendance record of each Director is as follows:

Name	No. of Meetings Attended	Percentage
Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngai Chong	5/5	100%
Tan Sri Datuk Chen Lok Loi	4/5	80%
Datuk Chen Fook Wah	5/5	100%
Datuk Mohammad bin Maidon	5/5	100%
Haji Mohammed Chudi bin Haji Ghazali	4/5	80%
Haji Hasan Aziz bin Mohd Johan	5/5	100%
Haji Mohamed bin Ismail*	3/3	100%
En. Jeffrey bin Bosra	5/5	100%

\* Demised on 14 May 2018

In the intervals between Board meetings, any matters requiring urgent Board decisions and/or approval will be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made.

In fostering the commitment of the Board to devote sufficient time to carry out their responsibilities, each Director is required to notify the Chairman of the Board prior to accepting directorships outside the Group. Similarly, the Chairman of the Board shall also do likewise before taking up any additional appointment of directorships. The notification will also include an approximate indication of time that will be spent by the Directors on the new directorships.

All Directors shall not hold more than five (5) directorships in other public listed companies as required under Paragraph 15.06 of the MMLR of Bursa Securities.

**II. BOARD COMPOSITION (Cont'd)****8. Retirement and Re-election**

In accordance with the Company's Constitution, all Directors who are appointed by the Board are subjected to re-election by the shareholders in the next AGM subsequent to their appointment. At least one third (1/3) of the Directors are required to retire from office by rotation annually and subject to re-election at each AGM. All Directors shall retire from office at least once in three (3) years but shall be eligible for re-election which is in line with the MMLR of Bursa Securities.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the conclusion of the next AGM and shall then be eligible for re-election.

The Directors due for re-election by rotation pursuant to Article 110(1) of the Company's Constitution at the forthcoming AGM are Tan Sri Datuk Chen Lok Loi, Datuk Mohammad bin Maidon and Haji Hasan Aziz bin Mohd Johan.

**9. Directors' Training**

The Nomination Committee has taken on the responsibility in evaluating and determining the specific and continuous training needs of the Directors on a regular basis. The Directors have attended courses/conferences and/or in house training from time to time to enhance their skills and knowledge and to keep abreast with the relevant changes in laws, Listing Requirements, regulations and business environment in order to discharge their duties more effectively.

All the Directors had completed the Mandatory Accreditation Programme as specified by MMLR of Bursa Securities.

The Directors are mindful that they should continually attend seminars and courses to keep themselves abreast with the latest economic and corporate developments as well as new regulations and statutory requirements. The Directors are also encouraged to evaluate their own training needs on a continuous basis and to determine the relevant programmes, seminars, briefings or dialogues available that would best enable them to enhance their knowledge and contributions to the Board.

The Board is also updated by the Company Secretary on the latest update/amendments on the MMLR of Bursa Securities and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities.

The training programmes, seminars and/or conferences attended by the Directors during the financial year are as follows:

Director	Training/Seminars/Conferences
Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong	<ul style="list-style-type: none"> <li>9<sup>th</sup> World Chinese Economic Summit 2017 "Managing Global Uncertainty: Exploring New Opportunities" organised by Asian Strategy &amp; Leadership Institute ("ASLI")</li> </ul>



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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### II. BOARD COMPOSITION (Cont'd)

#### 9. Directors' Training (Cont'd)

Director	Training/Seminars/Conferences
Tan Sri Datuk Chen Lok Loi	<ul style="list-style-type: none"> <li>• CEO Roundtable: Overcoming Key Issues and Challenges in Housing &amp; Property Development organised by ASLI</li> <li>• Council of Asian Shopping Centres Conference 2017 - Shopping Centres Embracing Change, What's Next?" organised by Institute of Shopping Centre Management, Hong Kong</li> <li>• The 20<sup>th</sup> Malaysia Strategic Outlook Conference "Embracing Disruption: Future Proof Malaysia" organised by ASLI</li> <li>• Sales &amp; Marketing Conference: Utilising Data to Build Demand Driven Real Estate organised by Real Estate &amp; Housing Developers' Association Malaysia Institute</li> <li>• KL Invite: Changing Landscape of Australian Real Estate - Exclusive Roundtable Discussion</li> </ul>
Datuk Chen Fook Wah	<ul style="list-style-type: none"> <li>• Advocacy Sessions to enhance Quality Management Discussion &amp; Analysis for Chief Executive Officers and Chief Financial Officers of Listed Issuers By Bursa Securities on 17 October 2017</li> </ul>
Datuk Mohammad bin Maidon	<ul style="list-style-type: none"> <li>• CG Breakfast Series for Directors - Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World by Bursa on 13 October 2017</li> </ul>
Haji Mohammed Chudi bin Haji Ghazali	<ul style="list-style-type: none"> <li>• Case Study Workshop for Independent Directors by Bursa Securities on 9 November 2017</li> <li>• Audit Committee Conference - Internal Auditing in the Age of Disruption by Malaysian Institute of Accountants on 27 March 2018</li> </ul>
Haji Hasan Aziz bin Mohd Johan	<ul style="list-style-type: none"> <li>• CG Breakfast Series - Integrating an Innovation Mindset with Effective Governance by Bursa Securities on 7 November 2017</li> <li>• Case Study Workshop for Independent Directors by Securities Commission on 5 September 2018</li> </ul>
En. Jeffrey bin Bosra	<ul style="list-style-type: none"> <li>• Case Study Workshop for Independent Directors by Bursa Securities on 9 November 2017</li> <li>• Audit Committee Conference - Internal Auditing in the Age of Disruption by Malaysian Institute of Accountants on 27 March 2018</li> </ul>

### III. REMUNERATION

The levels of remuneration for Executive Directors are linked to experience, scope of responsibilities, service seniority, performance of the Executive Directors and published market survey information in order to attract, retain and motivate the Executive Directors to run the Group successfully. The components of the remuneration package for the Executive Directors include fixed salary, allowance, bonus, performance incentive and benefits-in-kind.

The levels of remuneration for Independent Non-Executive Directors are based on their contribution to the Group in terms of their knowledge, experience and level of responsibilities undertaken by the Independent Non-Executive Directors concerned. The determination of Directors' fees for all Independent Non-Executive Directors shall be a matter for the Board as a whole.

### III. REMUNERATION (Cont'd)

#### 1. Remuneration Committee

The Remuneration Committee was established on 27 November 2012 and comprises of two (2) members, all of whom are Independent Non-Executive Directors. The members of the Remuneration Committee and their attendance at the Remuneration Committee meetings held during the year under review are as follows:-

Name	Designation	Attendance	Percentage
Haji Mohamed bin Ismail*	Chairman	1/1	100%
En. Jeffrey bin Bosra	Member	1/1	100%
Datuk Mohammad bin Maidon^	Chairman	N/A	N/A

\* Demised on 14 May 2018

^ Appointed on 30 May 2018

N/A Not Applicable

The Remuneration Committee is responsible for recommending to the Board on the remuneration framework and packages of all Directors and in the case of Non-Executive Directors' fees including Board Committees' fees, the approval of the shareholders is required. The Directors shall abstain from deliberating and voting's on their own remuneration.

During the financial year under review, the Committee held one (1) meeting to deliberate on the following:

- (a) review of the salaries, bonuses and incentives of senior management of the Group; and
- (b) approve the remuneration package and bonuses for the Executive Directors.

The terms of reference of the Remuneration Committee are available for reference at [www.mkhberhad.com](http://www.mkhberhad.com).

#### 2. Directors' Remuneration

The details of the remuneration of Directors during the financial year are as follows:-

##### COMPANY LEVEL

Name	Directors' Fees RM	Salaries and bonuses RM	Allowance RM	Benefits in kind RM	Other emoluments^ RM	Total RM
<b>Company</b>						
<b>Executive Directors</b>						
Tan Sri Dato' Chen Kooi Chiew	-	-	-	-	-	-
@ Cheng Ngi Chong	-	-	-	-	-	-
Tan Sri Datuk Chen Lok Loi	-	-	-	-	-	-
Datuk Chen Fook Wah	-	-	-	-	-	-
<b>Independent Non-Executive Directors</b>						
Datuk Mohammad bin Maidon	50,000	-	4,500	-	-	<b>54,500</b>
Haji Mohamed bin Ismail*	33,333	-	6,750	-	-	<b>40,083</b>
Haji Mohammed Chudi bin Haji Ghazali	50,000	-	7,500	-	-	<b>57,500</b>
Haji Hasan Aziz bin Mohd Johan	50,000	-	5,250	-	-	<b>55,250</b>
Jeffrey bin Bosra	50,000	-	9,000	-	-	<b>59,000</b>
<b>Total</b>	<b>233,333</b>	<b>-</b>	<b>33,000</b>	<b>-</b>	<b>-</b>	<b>266,333</b>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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## III. REMUNERATION (Cont'd)

### 2. Directors' Remuneration (Cont'd)

The details of the remuneration of Directors during the financial year are as follows:-

#### GROUP LEVEL

Name	Directors' Fees RM	Salaries and bonuses RM	Allowance RM	Benefits in kind RM	Other emoluments RM	Total RM
<b>Group</b>						
<b>Executive Directors</b>						
Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong	-	6,633,200	-	37,072	1,261,708^	<b>7,931,980</b>
Tan Sri Datuk Chen Lok Loi	-	5,088,200	-	40,881	968,058^	<b>6,097,139</b>
Datuk Chen Fook Wah	-	1,699,500	-	22,700	322,914^	<b>2,045,114</b>
<b>Independent</b>						
<b>Non-Executive Directors</b>						
Datuk Mohammad bin Maidon	50,000	-	18,400	-	-	<b>68,400</b>
Haji Mohamed bin Ismail*	33,333	-	6,750	-	-	<b>40,083</b>
Haji Mohammed Chudi bin Haji Ghazali	50,000	-	35,840	-	-	<b>85,840</b>
Haji Hasan Aziz bin Mohd Johan	50,000	-	5,250	-	-	<b>55,250</b>
Jeffrey bin Bosra	50,000	-	9,000	-	-	<b>59,000</b>
<b>Total</b>	<b>233,333</b>	<b>13,420,900</b>	<b>75,240</b>	<b>100,653</b>	<b>2,552,680</b>	<b>16,382,806</b>

Notes:-

\* Demised on 14 May 2018. The fees of RM33,333 was pro-rated according to the tenure of service of 8 months for the financial year ended 30 September 2018 (i.e. 8/12 X RM50,000).

^ Post-employment benefits.



**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT****I. AUDIT COMMITTEE****1. Composition of Audit Committee**

The Audit Committee comprise of three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee, En. Jeffrey bin Bosra is a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and the Malaysian Institute of Accountants ("MIA"). The other members of the Audit Committee are Haji Mohammed Chudi bin Haji Ghazali and Haji Hasan Aziz bin Mohd Johan.

**2. Relationship with Auditors**

The Company's independent external auditors fill an essential role for the shareholders by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial statements.

The Board through the Audit Committee maintains a transparent and professional relationship with the external auditors. The external auditors will communicate to the Audit Committee and the Board when they become aware of any significant weaknesses in the Company's system of internal control, including fraud, during the course of their audit that may require the attention of the Audit Committee and the Board. The role of the Audit Committee in relation to the external auditors is set out on pages 63 to 67.

For the financial year under review, the external auditors had attended all the Audit Committee meetings and general meeting of the Company and had five (5) meetings with the Audit Committee without the presence of any Executive Director and management, to discuss the audit findings and any other observations they may have during the audit process.

The external auditors have also confirmed that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria as set out by the MIA By-Laws and have provided the declaration in their annual audit plan presented to the Audit Committee of the Company.

The Audit Committee together with the Chief Financial Officer had undertaken an annual assessment of the competency and independence of the external auditors pursuant to the External Auditors Assessment Policy, which has outlined the guidelines and procedures for the assessment on the suitability of the external auditors on 28 December 2018.

The Board, on the recommendation of the Audit Committee, is of the view that the declaration of independence, integrity and objectivity made by the external auditors in their audit report for each financial year under review is sufficient to serve as a written assurance from the external auditors on their independence and integrity throughout the conduct of the audit engagement in accordance with the independence criteria as set out by MIA By-Laws, has recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

The details of the External Auditors Assessment Policy are available for reference at [www.mkhberhad.com](http://www.mkhberhad.com).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

#### I. AUDIT COMMITTEE (Cont'd)

##### 3. Directors' Responsibility Statement

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and the results of the operations, changes in equity and cash flows of the Group and of the Company for the financial year. Where there are new accounting standards or policies that become effective during the year, the impact of these new treatments would be stated in the notes to the financial statements, accordingly.

In preparing those financial statements, the Directors ensure that management have:

- adopted appropriate accounting policies and consistently apply them;
- made judgements and estimates that are reasonable and prudent;
- state whether applicable approved accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act, 2016.

The Directors have taken such steps as are necessary to safeguard the assets of the Group and the Company to prevent fraud and other irregularities.

#### II. Risk Management and Internal Control

The Risk Management Committee presently comprised of five (5) members comprising one (1) Managing Director and four (4) other members from the Key Senior Management assists the Audit Committee and the Board in discharging its risk management and control responsibilities. The terms of reference of the Risk Management Committee are available on the Company's website at [www.mkhberhad.com](http://www.mkhberhad.com). The members of the Risk Management Committee are as follows:-

Name	Designation	Business Occupation
Tan Sri Datuk Chen Lok Loi	Chairman	Managing Director
Dato' Chong Yong Han	Member	Property Director
Dato' Lee Khee Meng	Member	Plantation Director
Kok Siew Yin	Member	Chief Financial Officer
Tan Wan San	Member	Chief Treasury Officer/ Group Company Secretary

In fulfilling the primary objectives, the Risk Management Committee has been tasked to identify and communicate the existing and potential critical risk areas faced by the Group and the management action plans to mitigate such risks by working with the internal auditors in providing periodic reports and updates to the Audit Committee on a quarterly basis.

The Group's Statement on Risk Management and Internal Control provides an overview of the risk management framework and state of internal control within the Group is set out on pages 68 to 71.

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS****I. Communication with Stakeholders**

The Board recognises the need for stakeholders and the wider investment community to ensure that they are kept informed of all material business matters affecting the Group. This is done through timely dissemination of information on the Group's performance and major developments which are communicated via the following channels:

- a) the Annual Report and relevant circulars despatched to shareholders and published in the Company's website and Bursa Malaysia;
- b) the convening of AGM and/or Extraordinary General Meeting;
- c) the release of various disclosures and announcements including quarterly financial announcements; and
- d) press releases and analysts briefings.

The Company leverages on the use of information technology by maintaining a corporate website at <http://www.mkhberhad.com> for effective dissemination of information which shareholders or other stakeholders can easily access to the latest corporate information of the Group. All information released to Bursa Malaysia is posted on the Investor Relations section of the website at <http://mkh.irplc.com>.

The Group's investor relationship is helmed by the Managing Director, Chief Financial Officer, Property Director and Deputy Property Director, who attends to various investors namely fund managers and investment analysts, while the Corporate Communications Department will communicate with members of the media.

The Group has appointed Ms Kok Siew Yin, the Chief Financial Officer to respond to investor queries and concerns pertaining to financial performance (Tel: +603-8737 8228, Fax: +603-8736 5436, E-mail: [ir@mkhberhad.com](mailto:ir@mkhberhad.com)), whereas Company developments related queries may be referred to the Deputy Property Director, Dato' Chen Way Kian (Tel: +603-8737 8228, Fax: +603-8734 0324, E-mail: [ccm@mkhberhad.com](mailto:ccm@mkhberhad.com)).

In addition, stakeholders who wish to reach the respective divisions of the Group may do so through the "Contact Us" page for enquiries and feedback purpose.

**II. Conduct of General Meetings**

The AGM which is held once a year is the principal forum for dialogue with individual shareholders. At the Company's AGM, shareholders have direct access to the Board and are given the opportunity to ask questions during the AGM. The shareholders are encouraged to ask questions both about the resolutions being proposed or about the Company's operations in general. The Chairman of the Board also addresses the shareholders on the review of the Company's operations for the financial year and outlines the prospects of the Company for the new financial year. Additionally, immediately after the AGM, the Board also meets members of the press.

The external auditors of the Company are invited to attend the AGM to answer any questions relating to the conduct of the audit and contents of the Auditor's Report.

**Statement on Compliance**

The Board having duly considered the rationale for the said exception as explained in the CG Report is committed to comply with the key Principles and Practices of the Code.

This Corporate Governance Overview Statement has been approved by the Board on 28 December 2018.



# AUDIT COMMITTEE REPORT

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During the financial year under review, the Audit Committee had carried out its duties and responsibilities namely held discussion with external auditors, in-house internal auditors, risk management committee and relevant members of management in accordance with its terms of reference. The Audit Committee is of the view that no material misstatement, contingencies or uncertainties and significant deficiencies in internal control have arisen, based on the reviews made and discussion held.

## Composition and Meetings

The Audit Committee is appointed by the Board of Directors from amongst Non-Executive Directors and comprise of three (3) members, all of whom are Independent Non-Executive Directors.

The Chairman of the Audit Committee, En Jeffrey bin Bosra is a member of the Malaysian Institute of Certified Public Accountants (“MICPA”) and the Malaysian Institute of Accountants (“MIA”). The other members of the Audit Committee are Haji Mohammed Chudi bin Haji Ghazali and Haji Hasan Aziz bin Mohd Johan.

The Audit Committee meetings were structured through the use of agendas and relevant board papers which were distributed to the Audit Committee prior to such meetings. During the financial year, five (5) meetings were held with the attendance of the Chief Financial Officer, Chief Treasury Officer/ Group Company Secretary, Group Accountant, Partners and/or Managers from the external auditors and in-house internal audit team also attended the meetings upon invitation where matters relating to the external and internal audit were discussed. The Audit Committee also met with the external auditors without the presence of management during each of the Audit Committee meeting. The Chairman of the Audit Committee will report and highlights key issues discussed at each Audit Committee meeting to the Board accordingly.

Details of the Audit Committee members’ attendance are appended below:

Name of Directors	Directorship	No. of Meetings Attended
En. Jeffrey bin Bosra (Chairman)	Independent Non-Executive Director	5/5
Haji Mohammed Chudi bin Haji Ghazali (Member)	Senior Independent Non-Executive Director	4/5
Haji Mohamed bin Ismail* (Member)	Independent Non-Executive Director	3/3
Haji Hasan Aziz bin Mohd Johan^ (Member)	Independent Non-Executive Director	1/1

\* Demised on 14 May 2018

^ Appointed on 30 May 2018

For the financial year under review, the performance and effectiveness of the Audit Committee has been evaluated through Audit Committee members’ self and peer evaluation conducted by the Audit Committee and endorsed by the Nomination Committee. Having reviewed the Audit Committee’s performance, the Board is satisfied that the Audit Committee members have been able to discharge their functions, duties and responsibilities in accordance with the terms of reference of the Audit Committee.

The details of the terms of reference of the Audit Committee are available for reference at [www.mkhberhad.com](http://www.mkhberhad.com).

**Summary of Work of the Audit Committee**

During the financial year ended 30 September 2018 ("FYE 2018"), the Audit Committee had worked closely with the external auditors, in-house internal audit team and management to carry out its functions and duties in line with the terms of reference.

The summary of the work of the Audit Committee in discharging its duties during the financial year under review includes the following:-

**(a) Financial Reporting**

- Reviewed all the four (4) quarter's unaudited financial results of the Group focusing on key material matters and to ensure the disclosures are in compliance with the Malaysian Financial Reporting Standard 134 - Interim Financial Reporting and applicable disclosure provisions in the Listing Requirements before recommending to the Board of Directors for approval to release the quarterly financial results to Bursa Securities.
- Reviewed the audited financial statements of the Company and the Group for the FYE 2018 together with the external auditors prior to tabling the audited financial statements to the Board for approval.
- Reviewed the impacts of any changes in accounting policies and adoption of new accounting standards together with significant matters highlighted in the financial statements.
- Confirmed with management and external auditors that the Company's and Group's annual audited financial statements have been prepared in compliance with applicable approved accounting and financial reporting standards.

**(b) Internal Audit**

- Reviewed and approved the scope of annual audit plan for the FYE 2018 proposed by the in-house internal audit team to ensure the adequacy of the scope and coverage of work on the Group's activities.
- Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's responses. Discussed with management on actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
- Reviewed and approved the follow-up reports on the status of implementation of those control weaknesses as highlighted by in-house internal audit team.
- Reported to the Board on significant audit issues and concerns discussed during the Audit Committee meetings which may have significant impact on the Group from time to time, for consideration and deliberation by the Board.
- Reviewed and approved the internal audit charter.

**(c) External Audit**

- Reviewed and approved the external auditors annual audit planning memorandum of the Group for the FYE 2018, external auditor's fees, audit strategy and scope of work for the year in connection with their audit.
- Reviewed the findings of the external auditors reports particularly on key audit matter and areas of concern highlighted in the progress report, including management's response to the concerns raised by the external auditors.
- Held private sessions with the external auditors without the presence of Executive Directors and management, to discuss the audit findings and any other observations they may have during the audit process. There were no major concerns/ issues raised by the external auditors at the meetings.
- Discussed with external auditors on significant accounting and auditing updates arising from new or proposed changes in accounting standard and regulatory requirements in relation to the financial statements.
- Evaluated the performance and assessed the independence and objectivity of the external auditors in providing their services and made recommendations to the Board on their re-appointment and remuneration.

## AUDIT COMMITTEE REPORT

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### Summary of Work of the Audit Committee (Cont'd)

#### (d) Risk Management Committee

- Reviewed the Risk Management Committee's reports regarding the Group's risk exposures, including review risk assessment model used to monitor the risk exposures and management's views/ responses on the acceptable and appropriate level of risks faced by Group's business unit as well as the proposed recommendations for improvements to be implemented.

#### (e) Related Party Transactions

- Reviewed on a quarterly basis if there is any related party transaction(s) entered into by the Group and any conflict of interest situation that may arise within the Group, which are required to be transacted at an arm's length basis and not detrimental to the interest of the minority shareholders.
- Reviewed the annual confirmation from the Board and Audit Committee on related party transaction(s) entered into (if any) for the financial year under review.

#### (f) Annual Reporting

- Reviewed the Audit Committee Report, Statement on Risk Management and Internal Control and Corporate Governance Overview Statement to ensure compliance with relevant regulatory reporting requirements prior to recommend the same to the Board for approval.

The Audit Committee having reviewed the extent of assistance rendered by management in the course of the audit and based on feedback from the external auditors was satisfied that management had co-operated fully and the external auditors were able to obtain information requested to carry out their work. Based on the review carried out and the report from the external auditors, the Audit Committee recommended the audited financial statements for the FYE 2018 to the Board of Directors for approval on 28 December 2018.

The Audit Committee was satisfied with the conduct of external auditors professional work and the timeliness of completion of their works to meet reporting deadline. Accordingly, the Audit Committee recommended the re-appointment of the external auditors, Deloitte PLT at the forthcoming Annual General Meeting.

### Training

During the year, all the Audit Committee have attended various seminars, training programmes and conferences. The list of trainings attended is disclosed on the Corporate Governance Overview Statement at page 57 of the Annual Report.

### The Internal Audit Function and Its Role

The Company has set-up an in-house Internal Audit Department ("IAD") effective 1 October 2016. The objective of the internal audit function is to assist the Audit Committee in assessing the adequacy, effectiveness and integrity of the Group's system of risk management and internal controls. The IAD is headed by Mr. Saravanan Many, the Senior Manager who is an Associate Member of the Institute of Internal Auditors Malaysia ("IIA Malaysia") to carry out the internal audit function of the Group and reporting directly to the Audit Committee on its activities based on the approved Annual Internal Audit Plan. The IAD adopts the *International Standards for the Professional Practice of Internal Auditing* as well as established internal auditing guidelines to enhance its competency and proficiency.

The principal role of the internal audit function is to undertake, on a prioritised approach, an independent and systematic assessment of the Group's system of risk management and internal controls as established by management in addressing the principal business risks faced by the Group. In conducting internal audit of the Group, the internal audit function deployed professional standards promulgated by the IIA Malaysia. During the financial year under review, weaknesses noted in the said system and areas that required improvement, including the recommendations thereof and action plans agreed to be deployed by management to address the issues raised, were highlighted by the internal audit function by way of internal audit reports issued to the Audit Committee.

AUDIT COMMITTEE  
REPORT**The Internal Audit Function and Its Role (Cont'd)****(a) Internal Audit Work Carried Out During The Financial Year Under Review**

The internal audit function conducted its work based on an annual internal audit plan which was tabled before, and approved by, the Audit Committee. The main activities of work carried out by the internal audit function are set out below:

**(i) Conduct Of Internal Audit**

The internal audit function adopted a risk-based approach in identifying specific areas and processes to be covered. During the financial year under review, the internal audit function focused on selected key processes of the Group's as follows:-

Entity	Key Processes
Aliran Perkasa Sdn Bhd Hillpark Resources Sdn Bhd Kajang Resources Corporation Sdn Bhd Srijang Kemajuan Sdn Bhd	<ul style="list-style-type: none"> <li>• Project management</li> <li>• Quality</li> <li>• Revenue management</li> </ul>
Head Office (Sales & Marketing)	<ul style="list-style-type: none"> <li>• Sales commission improvement</li> <li>• Buyer get buyer scheme</li> <li>• Introducer scheme</li> </ul>
Maha Usaha Sdn Bhd - Plaza Metro Kajang	<ul style="list-style-type: none"> <li>• Revenue management</li> <li>• Expenses management</li> <li>• Business licenses review</li> </ul>
MKH Building Materials Sdn Bhd	<ul style="list-style-type: none"> <li>• Procurement</li> <li>• Sales &amp; receivables</li> </ul>
PT. Maju Kalimantan Hadapan	<ul style="list-style-type: none"> <li>• Estates - harvesting practices, field practices, store management, employment &amp; checkroll, fixed asset management and expenses management</li> <li>• Main office - purchasing and human resources management</li> <li>• Mill - production, store management, oil losses analysis, crude palm oil &amp; palm kernel dispatch, and jetty management</li> </ul>
PT. Sawit Prima Sakti	<ul style="list-style-type: none"> <li>• Estates - harvesting practices, field practices, store management, employment &amp; checkroll, fixed asset management and expenses management</li> </ul>
Srijang Indah Sdn Bhd - Metro Point Complex	<ul style="list-style-type: none"> <li>• Revenue management</li> <li>• Expenses management</li> <li>• Business licenses review</li> </ul>

Based on the internal audit reviews carried out, the findings of the internal audit, including the recommendations to address areas of control deficiencies as well as opportunities for improvements, were discussed with Senior Management and subsequently presented to the Audit Committee.



## AUDIT COMMITTEE REPORT

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### The Internal Audit Function and Its Role (Cont'd)

#### (a) Internal Audit Work Carried Out During The Financial Year Under Review (Cont'd)

##### (ii) Follow-Up On Internal Audit

During the financial year under review, the internal audit function also performed a follow-up to assess the status of management-agreed action plans on recommendations raised in preceding cycles of internal audit. The outcome thereof was summarised in a follow-up report to the Audit Committee, highlighting those issues that had yet to be fully addressed by management, including specific timelines for those outstanding matters to be resolved.

Whilst reports issued by the internal audit function for the financial year under review were tabled at Audit Committee meetings, management was present at such meetings to provide pertinent clarification or additional information to address questions raised by Audit Committee members pertaining to matters raised by the internal audit function.

#### (b) Cost Of Internal Audit

The cost of the internal audit function for the financial year under review amounted to approximately RM405,773 (2017: RM338,269).

Currently, IAD comprises of three (3) auditors and all of the auditors are members of IIA Malaysia. The level of expertise and professionalism for the FYE 2018 is as follows:

Expertise Category	Percentage of total auditors
Bachelor's Degree	100%
Post Graduate Degree (MBA)	33%
Professional Qualification (CPA, CIA, ACCA, CIMA, etc.)	33%

This Audit Committee Report has been approved by the Board on 28 December 2018.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance 2017 (“the Code”) set out the Principles and Practices for the Board of a company listed on the Bursa Malaysia Securities Berhad (“Bursa Securities”) to establish a sound risk management framework and internal controls system to safeguard shareholders’ investment and the Group’s assets. The Board is committed to establish a sound framework to manage risks and is pleased to provide the following statement in accordance with paragraph 15.26(b) of Bursa Securities Main Market Listing Requirements and guided by the “*Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers*”.

### Board’s Responsibilities

The Board acknowledges its responsibilities for establishing a sound risk management framework and internal control system to manage risks in accordance with Principle B of the Code to safeguard the interest of shareholders, customers, employees and the Group’s assets. The Board’s responsibilities include:-

- (a) determine the Group’s level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders’ investments and the Group’s assets;
- (b) committed to articulating, implementing and reviewing the Group’s internal controls system for risk management; and
- (c) periodic review and/or conduct of the effectiveness and adequacy of the internal controls procedures and processes to ensure that the system is viable and robust.

However, due to the limitations inherent in any internal control system, it should be noted that such system is designed to manage rather than to eliminate the risk of failure to achieve the Group’s business objectives. Therefore, the system can only provide a reasonable and not absolute assurance against material misstatement or loss. The internal control system or framework of the Group covers, inter-alia, risk management, financial, operational and compliance controls. This process has been in place for the year under review and up to the date of approval of this statement for inclusion in the Annual Report.

Accompanying the maintenance of an appropriate internal control system, is an on-going process to identify, evaluate, monitor and manage principal risks faced by the Group and this process is reviewed quarterly by the Board. The Group identified major risk areas of concern which included demand for properties, fluctuating commodity prices, foreign exchange rates fluctuation and change in regulatory environments.

The Board has reviewed the adequacy and effectiveness of the Group’s risk management and internal control system for the year under review.

### Risk Management And Internal Control Processes

The Board has put in place an organisational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability as appended below:-

- The Executive Committee, comprising Executive Directors and assisted by certain Key Senior Management was established to review the operations of the Group’s operating divisions, the monthly financial information which includes actual results compare against budget as approved by the Board, explanation on significant variances and management actions taken, where necessary.
- The Audit Committee with the assistance of the in-house Internal Audit team and Risk Management Committee (“RMC”), reviews the internal control processes, and evaluates the adequacy and effectiveness of the risk management and internal control system. Further details are set out in the Audit Committee Report and Corporate Governance Overview Statement.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

MKH Berhad  
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### Risk Management And Internal Control Processes (Cont'd)

- The RMC was established to review and monitor Group's risk management framework and activities. The RMC members are Property Director, Plantation Director, Chief Financial Officer and Chief Treasury Officer/ Group Company Secretary. The RMC reports to the Audit Committee on a quarterly basis where key risks and mitigating action are discussed and implemented.
- The head of business unit to follow-up on those potential risks identified and the management action plans to mitigate such risks based on the findings from Internal Audit Reports prepared by our in-house Internal Audit team and approved by the Audit Committee. Any significant findings of non-compliance or implementation by respective business units will be reported to the Audit Committee during quarterly meeting.
- Sufficient insurance coverage and physical safeguards on major assets are in place to ensure that the Group's assets are adequately covered against any mishap that could result in material loss.

### Risk Management Framework

The Board recognises that an effective risk management framework will allow the Group to identify, evaluate and manage risks that affect the achievement of the Group's business objectives within defined risk parameters in a timely and effective manner. The Group is exposed to operational risks and various financial risks as follows:-

#### (a) Operational Risks

Operational risks arise from the execution of the Group core businesses (i.e. property development and construction, plantation, investment property and hotel and trading) and competencies of the management in managing the risks relating to health and safety, quality, inadequate skilled workforce and adverse climatic conditions. The management is guided by approved standard operating procedures and quality controls to ensure that all business units are functional.

The Group continue to offer competitive compensation that is benchmarked against the best performing companies in the same industry, and rewards framework that is closely linked to employees' performance to attract and retain a skilled workforce to meet existing and future needs. The plantation division emphasise on good agricultural practices to ensure high production yields of fresh fruit bunches.

#### (b) Financial Risks

- Credit and liquidity risks arise from the inability to recover debts in a timely manner which may adversely affect the Group's profitability, cash flow and funding. In order to minimise such exposures, tightening of credit control, close monitoring of collections and overdue debts were carried out.
- Interest rate risk arise mainly from the Group's borrowings in the form of term loan, overdraft and revolving credit facilities to meet capital expenditures and working capital requirements.
- Commodity risk arises from the volatility of commodity prices such as crude palm oil ("CPO") and palm kernel which are affected by factors such as weather, government policies, supply and demand, and competition from substitution products as well as currency fluctuation.

STATEMENT ON RISK MANAGEMENT  
AND INTERNAL CONTROL**Risk Management Framework (Cont'd)****(b) Financial Risks (Cont'd)**

- (d) Foreign exchange risk arises from movements in foreign currency exchange rates. The Group's reporting currency is Malaysian Ringgit ("RM"). The majority of the Group's plantation division borrowing is denominated in United States Dollar ("USD") and RM, while the majority of the Group's expenses is denominated in Indonesian Rupiah ("IDR") and sales of CPO is denominated in IDR and USD while sale of palm kernel is denominated in IDR.

As the CPO is an internationally traded commodity mainly in USD, there is a natural hedge as the selling price of the CPO in IDR has a positive correlation with the strengthening of the USD currency. In addition, the Group constantly monitors and compare the selling price of CPO in the local Indonesian market (in Rupiah) and the Malaysia Derivation Exchange (in RM) and the foreign exchange rate to ensure that the Group is selling the CPO at the best possible price.

The Board with the assistance of the Audit Committee, the Risk Management Committee and in-house Internal Audit team have continuously review existing risks and identify new risks that the Group faces and management action plans to manage the risks.

To further enhance the risk management process within the culture of the Group, review of existing risks and identification of new risks is also conducted annually with involvement of selected management staff. In additions, nominated key management personnel in each business unit have prepared action plans to address key risks and control issues highlighted by the in-house Internal Audit team.

During the financial year ended 30 September 2018, the Risk Management Committee has:

- (a) reviewed management action plans presented by the nominated key management of certain business units of the Group;
- (b) reviewed the Group's quarterly financial and non-financial performances measured against the approved budget with major variances being reviewed and management actions taken as necessary;
- (c) reported its findings on major issues relating to risks and risk management to the Audit Committee on quarterly basis which then reports to the Board;
- (d) reviewed new property development projects and business investment in the subsidiaries;
- (e) reviewed quarterly the property development outlook with appropriate product differentiation and pricing to suit the market demand; and
- (f) monitored financial performances and the progress of corrective actions/implementation for highlighted issues.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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### Internal Audit Function

During the financial year, the Audit Committee worked closely with the in-house Internal Audit team, distinct from the external auditors, to provide independent internal audit services to the Group, who reports independently to the Audit Committee. The internal audit function provides the Audit Committee with quarterly reports, based on the audits conducted, highlighting observations, recommendations and management action plans to improve the internal control system and contribute towards improving the Group's risk management.

The key role of the internal audit function is to assess management's adherence to establish policies and procedures as well as to act as an independent sounding board to the Audit Committee concerning areas of weaknesses or deficiencies in the risk management, governance and control processes for appropriate remedial measures to be carried out by the management.

### Review By The External Auditors

As required by paragraph 15.23 of Bursa Securities Main Market Listing Requirements, the external auditors have conducted a limited assurance engagement on this Statement on Risk Management and Internal Control. Their limited assurance engagement was performed in accordance with Malaysian Approved Standard on Assurance Engagements, International Standard on Assurance Engagements, ISAE 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and Audit and Assurance Practice Guide 3 ("AAPG 3"): *Guidance for Auditors on Engagements to Report on the Statement of Risk Management and Internal Control included in the Annual Report*.

Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control is not prepared, in all material aspects, in accordance with disclosure required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Controls: Guidance for Directors of Listed Issuers to be set out, nor is factually inaccurate. AAPG 3 does not require the external auditors to consider whether the 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 control system including the assessment and opinion by the Board and management thereon. The external auditors are not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems. 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 Bursa Securities Main Market Listing Requirements and for no other purposes or parties.

### Management Assurance

In accordance with the requirements of the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*, the Managing Director and the Chief Financial Officer have given reasonable assurance to the Board that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively.

### Board's Conclusion

The Board is of the view that an appropriate risk management and internal control system, procedures and processes in operation during the year in review was reasonably adequate and effective to safeguard the assets of the Group and interest of shareholders. For the financial year under review, no significant control failures or weaknesses that result in material losses and require disclosure in the Group's Annual Report were identified.

This Statement has been approved by the Board on 28 December 2018.

## ADDITIONAL COMPLIANCE INFORMATION

### 1. Utilisation Of Proceeds Raised From Corporate Proposals

The utilisation of rights issue proceeds as at 30 September 2018 are as follows:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Revised timeframe
Infrastructure and property development	37,190	16,819	20,371	Within 30 months <sup>#</sup>
Payment of landowners' entitlements	20,000	20,000	-	Completed
Construction of KTM Komuter station	21,400	3,775	17,625	Within 30 months <sup>#</sup>
Working capital	372	372	-	Completed
Estimated expenses for the rights with bonus issue	1,600	1,600	-	Completed
<b>Total</b>	<b>80,562</b>	<b>42,566</b>	<b>37,996</b>	

<sup>#</sup> Construction works in progress. The time frame has been extended for another 18 months period from 1 June 2018 until 30 November 2019.

### 2. Audit And Non-Audit Fees

The amount of audit fees and non-audit fees paid by the Company and its subsidiaries to the external auditors for the financial year ended 30 September 2018 are as follows:-

	Group (RM)	Company (RM)
Audit Fees	539,438	50,000
Non-audit Fees	35,000	15,000
<b>Total</b>	<b>574,438</b>	<b>65,000</b>

The non-audit fees was payment towards reviewing the statement on risk management and internal control as well as conducting training for Malaysia Financial Reporting System 141.

### 3. Material Contracts Involving Directors And Major Shareholders' Interest

Save as disclosed below, there are no material contracts entered into by the Company and its subsidiaries which involved Directors' and major shareholders' interests either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year:-

- Underwriting Agreement dated 17 April 2017 entered into between our Company and the Joint Underwriters (namely AmlInvestment Bank Berhad, Kenanga Investment Bank Berhad, Affin Hwang Investment Bank Berhad, Hong Leong Investment Bank Berhad and RHB Investment Bank Berhad) in relation to the rights with bonus issue for the underwriting of up to 24.70 million rights shares at an underwriting commission of 1.25% of the value of the underwritten shares at the rights issue price.

### 4. Sanctions and/or Penalties

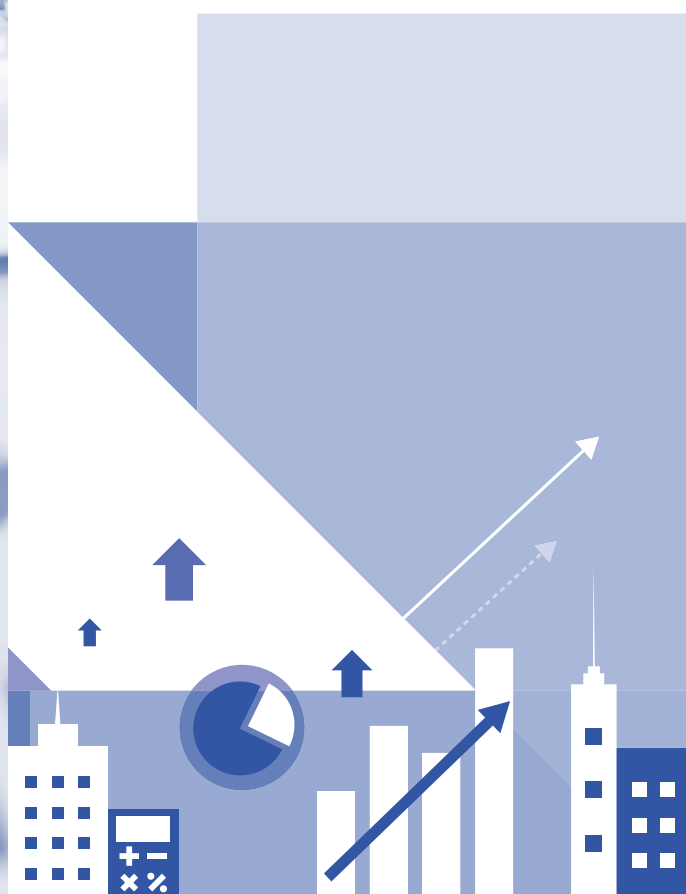
There were no material public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

A blue-tinted photograph of a hand holding a pen, positioned over a calculator and financial charts, serving as a background for the left side of the page.

# FINANCIAL STATEMENTS

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**DIRECTORS'  
REPORT**

The directors have pleasure in presenting their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2018.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company are investment holding and providing management services.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the Company in each subsidiaries are as disclosed in Note 15 to the Financial Statements.

**RESULTS OF OPERATIONS**

	<b>The Group RM</b>	<b>The Company RM</b>
Profit for the financial year	75,079,838	58,013,373
Profit attributable to:		
Owners of the parent	69,446,877	58,013,373
Non-controlling interests	5,632,961	-
	75,079,838	58,013,373

**DIVIDEND**

Since the end of the previous financial year, a first interim single tier dividend of 5.0 sen per ordinary share in respect of financial year ended 30 September 2017 amounting to RM29,284,585 was declared on 28 November 2017 and paid on 11 January 2018 as reported in the directors' report of that year.

A first interim single tier dividend of 3.5 sen per ordinary share in respect of financial year ended 30 September 2018 amounting to RM20,268,891 was declared on 30 November 2018 and to be paid on 10 January 2019. The financial statements for the current financial year do not reflect the dividend. Such dividend will be accounted in equity as an appropriation of retained earnings in the financial year ending 30 September 2019.

The directors do not recommend any final dividend payment in respect of the financial year ended 30 September 2018.



**ISSUES OF SHARES**

During the financial year, the following shares were issued by the Company:

Class	Number	Term of Issue	Purpose of Issue
Ordinary share	23,646,246	Exercise of warrants	Exercise of warrants by warrant holders

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

Other than as stated above, there were no other changes in issued and paid-up capital of the Company during the financial year.

**WARRANTS**

On 31 December 2012, the Company allotted and issued 29,104,378 free warrants constituted under the deed poll dated 23 November 2012.

The salient features of the warrants are as follows:

- (i) entitles its registered holders to subscribe for one (1) new ordinary share at the exercise price during the exercise period;
- (ii) the exercise price is RM2.26 per share subject to adjustments in accordance with the provisions of the deed poll executed; and
- (iii) the warrants may be exercised at any time for a period of five years from 31 December 2012 to 30 December 2017 ("exercise period"). Warrants that are not exercised during the exercise period will thereafter lapse and become void.

The exercise price was adjusted to RM1.89 and RM1.55 per share pursuant to the bonus issue on 20 May 2014 and rights with bonus issue on 1 June 2017 respectively.

The movement in the Company's warrants to subscribe for new ordinary shares during the financial year is as follows:

	Number of warrants			At 30 September 2018
	At 1 October 2017	Exercised	Expired	
Number of warrants	25,095,779	(23,646,246)	(1,449,533)	-

The Company's warrants expired on 29 December 2017.

## DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngı Chong  
Tan Sri Datuk Chen Lok Loi  
Datuk Chen Fook Wah  
Datuk Mohammad bin Maidon  
Mohammed Chudi bin Haji Ghazali  
Jeffrey bin Bosra  
Hasan Aziz bin Mohd Johan  
Mohamed bin Ismail (Demised on 14 May 2018)

## LIST OF DIRECTORS OF SUBSIDIARIES

Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngı Chong  
Tan Sri Datuk Chen Lok Loi  
Datuk Chen Fook Wah  
Datuk Mohammad bin Maidon  
Dato' Chong Yong Han  
Dato' Chen Way Kian  
Dato' Lee Khee Meng  
Dato' Mazbar bin Abu Bakar  
Mohammed Chudi bin Haji Ghazali  
Datuk Hj. Johan bin Abd. Aziz  
Chen Wei Chyong  
Chen Way Liang  
Chen Yunn Shin  
Tan Wan San  
Tang Wai Hoong  
Tang Hee Teik  
Teh Lee Lean  
Ahmad Yani bin Sulaiman  
Kok Siew Yin  
Datuk Muztaza bin Mohamad  
Dzulkeflee bin Khairuddin  
Abd Manaf bin Ahmad  
Mohd Adib bin Othman  
Hafiz bin Othman  
Che Hasnadi bin Che Hassan  
Drs. Haji Khairil Anwar  
Morlifa Elanda  
Mirza Aulia  
Keiichi Tokushima (Appointed on 28 February 2018)  
Yasuhito Imamura (Appointed on 28 February 2018)  
Isso Suzuki (Appointed on 28 February 2018)  
Yasuhiro Nishikawa (Appointed on 28 February 2018)  
Pang Yew Chuen (Resigned on 9 November 2017)  
Hew Fong Thye (Demised on 12 April 2018)

# DIRECTORS' REPORT

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## DIRECTORS' INTERESTS

The holdings and deemed holdings in the ordinary shares and warrants of the Company and of its related corporations of those who were directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

### (a) Shareholdings in the Company

	At 1 October 2017	Number of ordinary shares			At 30 September 2018
		Bought	Sold	Exercise of Warrants	
<b>Direct interests:</b>					
Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong	1,487,080	-	-	-	1,487,080
Tan Sri Datuk Chen Lok Loi	9,834,114	-	-	768,730	10,602,844
Datuk Chen Fook Wah	264,900	1,275,200	-	194,211	1,734,311
Mohammed Chudi bin Haji Ghazali	67,361	-	-	-	67,361
<b>Deemed interests:</b>					
Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong^	246,977,574	478,400	-	3,929,384	251,385,358
Tan Sri Datuk Chen Lok Loi#	237,373,102	1,849,700	-	4,513,566	243,736,368
Datuk Chen Fook Wah*	232,213,870	182,200	-	3,929,384	236,325,454

### (b) Warrant holdings in the Company

	At 1 October 2017	Number of warrants+			At 30 September 2018
		Bought	Sold	Exercise of Warrants	
<b>Direct interests:</b>					
Tan Sri Datuk Chen Lok Loi	768,730	-	-	(768,730)	-
Datuk Chen Fook Wah	127,211	67,000	-	(194,211)	-
<b>Deemed interests:</b>					
Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong^	3,808,384	121,000	-	(3,929,384)	-
Tan Sri Datuk Chen Lok Loi#	4,257,166	256,400	-	(4,513,566)	-
Datuk Chen Fook Wah*	3,808,384	121,000	-	(3,929,384)	-

^ Deemed interest through shares held in Chen Choy & Sons Realty Sdn. Bhd. ("CCSR"), Lotus Way Sdn. Bhd. and a nominee company.

# Deemed interest through shares held in CCSR and a nominee company.

\* Deemed interest through shares held in CCSR.

+ MKH Berhad Warrants-B has expired on 29 December 2017.

**DIRECTORS' INTERESTS (Cont'd)****(c) Shareholdings in subsidiary  
- Srijang Kemajuan Sdn. Bhd.**

	Number of ordinary shares			
	At 1 October 2017	Bought	Sold	At 30 September 2018
<b>Direct interests:</b>				
Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong	1	-	-	1

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has 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 directors as shown in the financial statements or the fixed salary of a full time employee of the Company) 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 any benefits which may be deemed to have arisen from transactions entered into in the ordinary course of business as disclosed in Note 34 to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than as disclosed above.

**RESERVES AND PROVISIONS**

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.



**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

Before 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 allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

- (i) which would render the amount written off for bad debts or amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (iii) 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; or
- (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors:

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

**TREASURY SHARES**

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirements of Section 127 of the Companies Act, 2016 in Malaysia.

During the financial year, the Company repurchased 4,038,600 of its issued ordinary shares from the open market at an average price of RM1.34 per share. The total consideration paid for the repurchase including transaction costs was RM5,437,937.

As at 30 September 2018, the Company held 4,038,600 treasury shares out of its 586,548,168 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM5,437,937. Further details are disclosed in Note 24 to the financial statements.

**INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS**

The Company maintains directors' and officers' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance coverage for the Directors and Officers of the Company. The amount of insurance premium paid during the year amounted to RM38,000.

There was no indemnity given to or insurance effected for auditors of the Company.

**SIGNIFICANT EVENTS**

Details of significant events during the financial year are disclosed in Note 36 to the financial statements.

**SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR END**

Details of significant event subsequent to the financial year end are disclosed in Note 37 to the financial statements.

**AUDITORS**

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

**AUDITORS' REMUNERATION**

The amount paid or payable by the Group and by the Company as remuneration of the auditors for audit services for the financial year ended 30 September 2018 amounting to RM539,438 and RM50,000 respectively.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 December 2018.

**TAN SRI DATO' CHEN KOOI CHIEW @  
CHENG NGI CHONG**

**TAN SRI DATUK CHEN LOK LOI**

**STATEMENT  
BY DIRECTORS**

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

We, Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong and Tan Sri Datuk Chen Lok Loi, being two of the directors of the Company, do hereby state that in the opinion of the directors, the accompanying financial statements as set out on pages 87 to 203, are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 December 2018.

**TAN SRI DATO' CHEN KOOI CHIEW @  
CHENG NGI CHONG**

**TAN SRI DATUK CHEN LOK LOI**

**STATUTORY  
DECLARATION**

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

I, Kok Siew Yin, being the person primarily responsible for the financial management of **MKH BERHAD**, do solemnly and sincerely declare that, to the best of my knowledge and belief, the financial statements as set out on pages 87 to 203, in my opinion, are 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 above named at  
Kajang in the State of Selangor  
on 28 December 2018

**KOK SIEW YIN**  
MIA MEMBERSHIP NO: 15343

Before me

**BADLISHAM TALHAH (B475)**  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MKH BERHAD (Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of **MKH BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 30 September 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 87 to 203.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018, and of their financial performance and their cash flows for the year then ended in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### *Basis for Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are described further 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 IESBA Code.



# INDEPENDENT AUDITORS' REPORT

MKH Berhad  
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To the Members of MKH Berhad (Incorporated in Malaysia)

## 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.

<i>Key audit matter</i>	<i>How the matter was addressed in the audit</i>
<p><b>Revenue from property development activities</b></p> <p>The Group recognises property development revenue by reference to the stage of completion of the development activity at the reporting date. The stage of completion is determined based on the proportion of development costs incurred for work performed to-date compared to the estimated total property development costs.</p> <p>Significant judgement is required in the estimation of total property development costs. Where the actual total property development costs is different from the estimated total property development costs, such difference will impact the property development profits/(loss) recognised.</p> <p>Refer to “Significant accounting estimates and judgements” in Note 2(c)(i) to the financial statements.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the relevant controls put in place by the Group in respect of revenue recognition for property development activities and performed procedures to evaluate the design and implementation and operating effectiveness of such controls.</li> <li>• Performed site visits for individually significant projects to arrive at an overall assessment as to whether information provided by management is reasonable.</li> <li>• Reviewed management prepared budgets for property development projects and ensured that budgets are appropriate and reflected cost incurred and cost to complete, current cost of operations and computation of profit recognition.</li> <li>• Verified the gross development value by reviewing the sale and purchase agreement entered into between the purchasers and the Group.</li> <li>• Checked the mathematical accuracy of the revenue and profit based on percentage of completion calculations and considered the implications of any changes in estimate.</li> </ul>

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to be communicated in our auditors’ report.

INDEPENDENT AUDITORS'  
REPORT

To the Members of MKH Berhad (Incorporated in Malaysia)

*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 of the Group but does not include the financial statements of the Group and of the Company and our auditor's report thereon, which we obtained prior to the date of this auditors' report, but excluding the Analysis of Shareholdings and Directors' Shareholdings, which are expected to be made available to us after that date.

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

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

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

When we read the Analysis of Shareholdings and Directors' Shareholdings, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request management to correct the other information accordingly.

*Responsibilities of the Directors for the Financial Statements*

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

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

## INDEPENDENT AUDITORS' REPORT

MKH Berhad  
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To the Members of MKH Berhad (Incorporated in Malaysia)

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## INDEPENDENT AUDITORS' REPORT

To the Members of MKH Berhad (Incorporated in Malaysia)

### ***Other Matters***

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

**DELOITTE PLT (LLP0010145-LCA)**  
**Chartered Accountants (AF0080)**

**TEO SWEE CHUA**  
**Partner - 02846/01/2020 J**  
**Chartered Accountant**

**Kuala Lumpur**  
28 December 2018



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

MKH Berhad  
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	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	4	1,081,700,915	1,068,833,502	32,516,500	44,370,000
Cost of sales	5	(733,529,731)	(683,913,128)	-	-
<b>Gross profit</b>		348,171,184	384,920,374	32,516,500	44,370,000
Other income		18,073,385	16,762,050	36,779,251	15,037,039
Sales and marketing expenses		(50,364,180)	(40,779,814)	-	-
Administrative expenses		(89,658,855)	(88,720,448)	(3,053,866)	(3,498,089)
Other expenses		(65,634,431)	(28,819,171)	(873,518)	(586,060)
<b>Profit from operations</b>		160,587,103	243,362,991	65,368,367	55,322,890
Finance costs		(34,249,204)	(47,564,546)	(3,216,910)	(4,656,946)
Share of results of associates	16	360,579	(2,206,144)	-	-
<b>Profit before tax</b>	6	126,698,478	193,592,301	62,151,457	50,665,944
Tax expense	8	(51,618,640)	(68,749,043)	(4,138,084)	(3,259,546)
<b>Profit for the financial year</b>		75,079,838	124,843,258	58,013,373	47,406,398
<b>Other comprehensive income/(loss)</b>					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurement gains/(losses) on defined benefit plans	26	2,200,700	(848,285)	-	-
Income tax relating to components of other comprehensive (loss)/income	8	(504,607)	212,071	-	-
		1,696,093	(636,214)	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences		(2,454,141)	(3,004,310)	-	-
Changes in tax rate relating to surplus arising from revaluation of land and buildings	8	(131,500)	-	(26,500)	-
		(2,585,641)	(3,004,310)	(26,500)	-
<b>Total comprehensive income for the financial year</b>		74,190,290	121,202,734	57,986,873	47,406,398
<b>Profit attributable to:</b>					
Owners of the parent		69,446,877	128,206,980	58,013,373	47,406,398
Non-controlling interests		5,632,961	(3,363,722)	-	-
		75,079,838	124,843,258	58,013,373	47,406,398

STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		68,077,982	124,741,992	57,986,873	47,406,398
Non-controlling interests		6,112,308	(3,539,258)	-	-
		74,190,290	121,202,734	57,986,873	47,406,398
<b>Basic earnings per share (sen)</b>	9	11.93	24.18		
<b>Diluted earnings per share (sen)</b>	9	-	23.72		

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

# STATEMENTS OF FINANCIAL POSITION

MKH Berhad  
Annual Report 2018

AS AT 30 SEPTEMBER 2018

		The Group		The Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	10	192,936,110	210,046,563	1,198,845	1,218,418
Intangible assets	11	26,353,749	22,014,685	-	-
Biological assets	12	243,317,396	284,975,508	-	-
Prepaid lease payments	13	44,675,754	45,724,238	-	-
Investment properties	14	318,620,000	318,937,000	-	-
Investment in subsidiaries	15	-	-	752,462,754	713,212,031
Investment in associates	16	14,250,386	13,889,807	-	-
Land held for property development	17	866,759,029	915,911,610	-	-
Deferred tax assets	18	49,602,802	33,933,101	-	-
Tax recoverable		1,082,118	1,282,296	-	-
Receivables, deposits and prepayments	19	31,354,995	30,944,123	336,596,078	296,512,339
<b>Total Non-Current Assets</b>		1,788,952,339	1,877,658,931	1,090,257,677	1,010,942,788
<b>Current Assets</b>					
Property development costs	20	466,714,197	474,969,277	-	-
Inventories	21	273,584,830	153,184,911	-	-
Accrued billings in respect of property development		198,704,864	152,556,850	-	-
Receivables, deposits and prepayments	19	263,860,689	266,765,819	25,869,463	4,378,683
Current tax assets		19,885,707	12,214,337	-	-
Cash, bank balances, term deposits and fixed income funds	22	227,726,216	264,609,775	3,941,479	12,145,700
		1,450,476,503	1,324,300,969	29,810,942	16,524,383
Non-current assets classified as held for sale	23	-	22,549,538	-	-
<b>Total Current Assets</b>		1,450,476,503	1,346,850,507	29,810,942	16,524,383
<b>Total Assets</b>		3,239,428,842	3,224,509,438	1,120,068,619	1,027,467,171
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital	24	654,458,655	613,315,284	654,458,655	613,315,284
Treasury shares	24	(5,437,937)	-	(5,437,937)	-
Reserves	25	897,980,982	863,679,274	375,133,030	350,922,431
Equity attributable to owners of the parent		1,547,001,700	1,476,994,558	1,024,153,748	964,237,715
Non-controlling interests	15	55,711,947	30,826,160	-	-
<b>Total Equity</b>		1,602,713,647	1,507,820,718	1,024,153,748	964,237,715

STATEMENTS OF  
FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2018

		The Group		The Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-Current Liabilities</b>					
Deferred tax liabilities	18	64,124,182	59,037,723	92,226	64,326
Provisions	26	8,732,893	11,453,546	-	-
Payables and accruals	27	289,306,920	346,511,714	-	-
Loans and borrowings	28	350,491,183	444,139,353	-	-
<b>Total Non-Current Liabilities</b>		712,655,178	861,142,336	92,226	64,326
<b>Current Liabilities</b>					
Provisions	26	20,183,386	20,183,386	-	-
Progress billings in respect of property development		-	870,000	-	-
Payables and accruals	27	573,303,432	497,500,699	539,936	1,344,734
Loans and borrowings	28	322,265,493	328,377,464	93,701,813	60,500,000
Current tax liabilities		8,307,706	8,614,835	1,580,896	1,320,396
<b>Total Current Liabilities</b>		924,060,017	855,546,384	95,822,645	63,165,130
<b>Total Liabilities</b>		1,636,715,195	1,716,688,720	95,914,871	63,229,456
<b>Total Equity and Liabilities</b>		3,239,428,842	3,224,509,438	1,120,068,619	1,027,467,171
<b>Net assets per share (RM)</b>	9	2.66	2.62		

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

**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

Note	Share capital RM	Treasury shares RM	Non-distributable			Distributable Retained earnings RM	Attributable to owners of the parent RM	Non - controlling interests RM	Total equity RM
			Warrant reserve RM	Translation reserve RM	Revaluation reserve RM				
At 1 October 2017	613,315,284	-	4,761,173	(3,428,618)	23,533,537	838,813,182	1,476,994,558	30,826,160	1,507,820,718
<b>Comprehensive income</b>									
Profit for the financial year	-	-	-	-	-	69,446,877	69,446,877	5,632,961	75,079,838
<b>Other comprehensive income</b>									
Foreign currency translation differences	-	-	-	(2,812,230)	-	-	(2,812,230)	358,089	(2,454,141)
Remeasurement gains on defined benefit plans-net of tax	-	-	-	-	-	1,574,835	1,574,835	121,258	1,696,093
Changes in tax rate relating to surplus arising from revaluation of land and buildings	-	-	-	-	(131,500)	-	(131,500)	-	(131,500)
Total comprehensive income	-	-	-	(2,812,230)	(131,500)	71,021,712	68,077,982	6,112,308	74,190,290
<b>Transactions with owners</b>									
Issuance of shares pursuant to warrants	41,143,371	-	(4,491,689)	-	-	-	36,651,682	-	36,651,682
Warrants expired	-	-	(269,484)	-	-	269,484	-	-	-
Issuance of shares by subsidiaries to non-controlling shareholder	-	-	-	-	-	-	-	22,648,519	22,648,519
Share buy back	-	(5,437,937)	-	-	-	-	(5,437,937)	-	(5,437,937)
Dividend	-	-	-	-	-	(29,284,585)	(29,284,585)	-	(29,284,585)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(3,875,040)	(3,875,040)
Total transactions with owners	41,143,371	(5,437,937)	(4,761,173)	-	-	(29,015,101)	1,929,160	18,773,479	20,702,639
<b>At 30 September 2018</b>	<b>654,458,655</b>	<b>(5,437,937)</b>	<b>-</b>	<b>(6,240,848)</b>	<b>23,402,037</b>	<b>880,819,793</b>	<b>1,547,001,700</b>	<b>55,711,947</b>	<b>1,602,713,647</b>

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**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

Note	Share capital RM	Non-distributable			Revaluation reserve RM	Distributable Retained earnings RM	Attributable to owners of the parent RM	Non - controlling interests RM	Total equity RM
		Share premium RM	Warrant reserve RM	Translation reserve RM					
<b>At 1 October 2016</b>	419,443,984	57,081	8,000,533	(560,874)	23,533,537	825,810,815	1,276,285,076	34,370,762	1,310,655,838
<b>Comprehensive income</b>									
Profit for the financial year	-	-	-	-	-	128,206,980	128,206,980	(3,363,722)	124,843,258
<b>Other comprehensive income</b>									
Foreign currency translation differences	-	-	-	(2,867,744)	-	-	(2,867,744)	(136,566)	(3,004,310)
Remeasurement losses on defined benefit plans-net of tax	-	-	-	-	-	(597,244)	(597,244)	(38,970)	(636,214)
Total comprehensive income	-	-	-	(2,867,744)	-	127,609,736	124,741,992	(3,539,258)	121,202,734
<b>Transactions with owners</b>									
Issuance of shares pursuant to:									
- rights issue	80,561,603	-	-	-	-	-	80,561,603	-	80,561,603
- bonus issue	85,250,374	-	-	-	-	(85,250,374)	-	-	-
- warrants	28,978,631	728,098	(3,239,360)	-	-	-	26,467,369	-	26,467,369
Share issue expenses	(1,704,487)	-	-	-	-	-	(1,704,487)	-	(1,704,487)
Issuance of shares by subsidiaries to non-controlling shareholder	-	-	-	-	-	-	-	490	490
Changes of ownership interest in a subsidiary	-	-	-	-	-	5,834	5,834	(5,834)	-
Dividend	-	-	-	-	-	(29,362,829)	(29,362,829)	-	(29,362,829)
Total transactions with owners	193,086,121	728,098	(3,239,360)	-	-	(114,607,369)	75,967,490	(5,344)	75,962,146
<b>Reclassification pursuant to Section 618 (2) of the Companies Act 2016</b>	785,179	(785,179)	-	-	-	-	-	-	-
<b>At 30 September 2017</b>	613,315,284	-	4,761,173	(3,428,618)	23,533,537	838,813,182	1,476,994,558	30,826,160	1,507,820,718

**STATEMENT OF  
CHANGES IN EQUITY**  
 FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Note	Share capital RM	Treasury shares RM	Non-distributable Warrant reserve RM	Revaluation reserve RM	Distributable Retained earnings RM	Total equity RM
<b>At 1 October 2017</b>		613,315,284	-	4,761,173	646,907	345,514,351	964,237,715
<b>Comprehensive income</b>							
Profit for the financial year		-	-	-	-	58,013,373	58,013,373
<b>Other comprehensive income</b>							
Changes in tax rate relating to surplus arising from revaluation of land and buildings		-	-	-	(26,500)	-	(26,500)
Total comprehensive income		-	-	-	(26,500)	58,013,373	57,986,873
<b>Transactions with owners</b>							
Issuance of shares pursuant to warrants		41,143,371	-	(4,491,689)	-	-	36,651,682
Warrants expired		-	-	(269,484)	-	269,484	-
Share buy back		-	(5,437,937)	-	-	-	(5,437,937)
Dividend	29	-	-	-	-	(29,284,585)	(29,284,585)
Total transactions with owners		41,143,371	(5,437,937)	(4,761,173)	-	(29,015,101)	1,929,160
<b>At 30 September 2018</b>		654,458,655	(5,437,937)	-	620,407	374,512,623	1,024,153,748

	Note	Share capital RM	Share premium RM	Non-distributable Warrant reserve RM	Revaluation reserve RM	Distributable Retained earnings RM	Total equity RM
<b>At 1 October 2016</b>		419,443,984	57,081	8,000,533	646,907	412,721,156	840,869,661
<b>Comprehensive income</b>							
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	-	47,406,398	47,406,398
<b>Transactions with owners</b>							
Issuance of shares pursuant to:							
- rights issue		80,561,603	-	-	-	-	80,561,603
- bonus issue		85,250,374	-	-	-	(85,250,374)	-
- warrants		28,978,631	728,098	(3,239,360)	-	-	26,467,369
Share issue expenses		(1,704,487)	-	-	-	-	(1,704,487)
Dividend	29	-	-	-	-	(29,362,829)	(29,362,829)
Total transactions with owners		193,086,121	728,098	(3,239,360)	-	(114,613,203)	75,961,656
<b>Reclassification pursuant to Section 618 (2) of the Companies Act 2016</b>		785,179	(785,179)	-	-	-	-
<b>At 30 September 2017</b>		613,315,284	-	4,761,173	646,907	345,514,351	964,237,715

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

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>CASH FLOWS FROM /(USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Profit before tax	126,698,478	193,592,301	62,151,457	50,665,944
Adjustments for:				
Amortisation of biological assets	14,977,744	16,719,899	-	-
Amortisation of prepaid lease payments	1,509,763	1,530,438	-	-
Bad debts written off	216,368	-	-	-
Biological assets written off	1,130,667	4,775,926	-	-
Changes in fair value of investment properties	317,000	(2,987,901)	-	-
Depreciation of property, plant and equipment	19,428,065	20,055,373	19,573	19,573
Deposits written off	2,000	5,600	-	-
Dividend income	-	-	(32,516,500)	(44,370,000)
Impairment loss on:				
Finance lease receivables	890	-	-	-
Trade receivables	77,374	59,906	-	-
Other receivables	-	2,000	-	-
Inventories written down	940,057	-	-	-
Inventories written off	2,193	161,778	-	-
Interest expense	34,249,204	47,564,546	3,216,910	4,656,946
Unrealised losses on foreign exchange - net	36,440,727	7,180,903	-	-
Property, plant and equipment written off	214,243	23,660	-	1
Land donation	9,461,450	-	-	-
Provision for retirement gratuity	-	587,866	-	-
Provision for post-employment benefit obligations	1,497,090	832,705	-	-
Gain on investment in subsidiary arising from realisation of bonus share	-	-	(18,000,000)	-
Gain on disposal of an associate	(2,000,000)	-	-	-
Gain on disposal of non-current assets classified as held for sale	(1,055,182)	-	-	-
Gain on disposal of property, plant and equipment	(26,176)	(7,735)	-	-
Gain on retention sum measured at amortised cost	(161,806)	-	-	-
Interest income	(6,145,101)	(6,131,936)	(18,663,455)	(15,031,607)
Impairment loss no longer required on:				
Finance lease receivables	(200)	(100)	-	-
Trade receivables	(25,662)	(64,942)	-	-
Other receivables	(32,200)	(58,483)	(7,200)	(4,200)
Share of results of associates	(360,579)	2,206,144	-	-
Operating Profit/(Loss) Before Changes in Working Capital	237,356,407	286,047,948	(3,799,215)	(4,063,343)
Change in property development costs	45,320,989	2,074,315	-	-
Change in inventories	36,129,663	55,778,861	-	-
Change in accrued billings in respect of property development	(47,018,014)	60,447,554	-	-
Change in receivables, deposits and prepayments	(42,203,941)	(58,201,676)	(483,580)	(1,345,699)
Change in payables and accruals	(28,579,077)	(144,913,951)	(804,798)	629,370
Cash Generated From/(Used In) Operations	201,006,027	201,233,051	(5,087,593)	(4,779,672)
Interest received	5,451,093	6,012,785	18,663,455	15,031,607
Interest paid	(38,036,963)	(48,869,220)	(3,216,910)	(4,656,946)
Tax paid	(71,440,492)	(102,552,142)	(3,876,184)	(2,603,646)
Tax refunded	1,133,539	2,423,018	-	-
Retirement benefit obligations paid	(1,031,517)	(352,618)	-	-
Net Cash From Operating Activities	97,081,687	57,894,874	6,482,768	2,991,343

**STATEMENTS  
OF CASH FLOWS**

MKH Berhad  
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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	<b>The Group</b>		<b>The Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>CASH FLOWS FROM/(USED IN)</b>				
<b>INVESTING ACTIVITIES</b>				
Acquisition of subsidiaries, net of cash acquired	-	-	(2)	(350)
Advances to subsidiaries	-	-	(40,083,739)	(86,576,238)
Subscription of shares in an associate	-	(1,960,000)	-	-
Acquisition of property, plant and equipment	(16,919,649)	(13,821,345)	-	-
Additions to biological assets	(4,427,742)	(3,876,762)	-	-
Additions to intangible assets	(4,971,433)	(7,466,108)	-	-
Additions to land held for property development	(47,739,819)	(76,154,883)	-	-
Subscription of additional shares in subsidiaries	-	-	(42,250,721)	(31,667,487)
Dividends received from subsidiaries	-	-	32,516,500	44,370,000
Placement of deposits with licensed banks	(5,458,455)	(909,665)	-	-
Proceeds from disposal of an associate	2,000,000	-	-	-
Proceeds from disposal of property, plant and equipment	143,944	40,166	-	-
Proceeds from disposal of non-current assets classified as held for sale	11,082,732	-	-	-
Net Cash Used In Investing Activities	(66,290,422)	(104,148,597)	(49,817,962)	(73,874,075)
<b>CASH FLOWS FROM/(USED IN)</b>				
<b>FINANCING ACTIVITIES</b>				
Drawdown of bridging loan	-	6,306,911	-	-
Drawdown of revolving credits	197,676,598	183,990,781	144,000,000	107,000,000
Drawdown of term loans	37,637,657	257,949,241	-	-
Repayments of bridging loan	(6,306,911)	-	-	-
Repayments of revolving credits	(166,296,231)	(119,122,180)	(112,400,000)	(95,850,000)
Repayments of term loans	(154,899,423)	(380,683,893)	-	-
Payments of finance lease	(938,042)	(873,092)	-	-
Proceeds from issuance of shares pursuant to:				
- rights issue	-	80,561,603	-	80,561,603
- warrants	36,651,682	26,467,369	36,651,682	26,467,369
Share issue expenses	-	(1,704,487)	-	(1,704,487)
Shares buy back	(5,437,937)	-	(5,437,937)	-
Proceeds from issuance of shares by subsidiaries to non-controlling shareholders	22,648,519	490	-	-
Dividend paid to non-controlling shareholders	(3,875,040)	-	-	-
Dividend paid	(29,284,585)	(29,362,829)	(29,284,585)	(29,362,829)
Net Cash (Used In)/From Financing Activities	(72,423,713)	23,529,914	33,529,160	87,111,656
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	(41,632,448)	(22,723,809)	(9,806,034)	16,228,924
Effect of exchange rate fluctuations	(3,003,261)	(5,158,983)	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	239,297,059	267,179,851	12,145,700	(4,083,224)
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	194,661,350	239,297,059	2,339,666	12,145,700

STATEMENTS  
OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

**Cash and cash equivalents**

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Deposits with licensed banks	22	12,611,412	8,830,105	-	-
Cash and bank balances	22	106,698,370	132,260,508	3,941,479	12,145,700
Cash held under housing development accounts	22	78,206,979	91,347,222	-	-
Fixed income funds:					
Redeemable at call	22	1,476,808	10,378,499	-	-
Redeemable upon 1 day notice	22	17,953,612	11,183,738	-	-
Redeemable upon 5 days notice	22	10,779,035	10,609,703	-	-
Bank overdrafts	28	227,726,216 (4,789,416)	264,609,775 (2,495,721)	3,941,479 (1,601,813)	12,145,700 -
		222,936,800	262,114,054	2,339,666	12,145,700
Less: Non short-term and highly liquid fixed deposits		(10,105,200)	(4,312,380)	-	-
Less: Deposits and bank balances pledge for credit facilities		(18,170,250)	(18,504,615)	-	-
		194,661,350	239,297,059	2,339,666	12,145,700

**Acquisition of property, plant and equipment**

During the financial year, the Group acquired property, plant and equipment by the following means:

	The Group	
	2018 RM	2017 RM
Finance lease arrangement	650,000	93,000
Cash payments	16,919,649	13,821,345
	17,569,649	13,914,345

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

## 1. GENERAL INFORMATION

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 principal activities of the Company are investment holding and providing management services.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the Company in each subsidiaries are as disclosed in Note 15.

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

The registered office of the Company is located at Suite 1, 5th Floor, Wisma MKH, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan.

The principal place of business of the Company is located at 5th Floor, Wisma MKH, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan.

The financial statements were approved and authorised for issue in accordance with a Board of Directors' resolution dated 28 December 2018.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### (a) Statement of compliance

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

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 3.

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgements in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgements are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(c).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

#### (a) Statement of compliance (Cont'd)

##### (i) Adoption of New and Revised Financial Reporting Standards

In the current financial year, the Group and the Company adopted all the amendments of FRSs issued by the MASB and effective for financial periods beginning on or after 1 October 2017:

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRSs	Annual Improvements to FRSs 2014-2016 Cycle

The adoption of these amendments to FRSs did not result in significant changes in the accounting policies of the Group and of the Company and has no significant effect on the financial performance or position of the Group and of the Company except as disclosed below:

##### Amendments to FRS 107 *Disclosure Initiative*

The Group and the Company have applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's and the Company's liabilities arising from financing activities consist of loans and borrowings. A reconciliation between the opening and closing balances of these items is provided in Note 28. Consistent with the transition provisions of the amendments, the Group and the Company have not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 28, the application of these amendments has had no impact on the Group's and the Company's financial statements.

##### (ii) New and Revised Standards, Amendments and Issues Committee Interpretations ("IC Interpretations") in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards, Amendments and IC Interpretations which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014) <sup>1</sup>
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to FRS 4	Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts <sup>1</sup>
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to FRS 140	Transfers of Investment Property <sup>1</sup>
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
IC Interpretation 23	Uncertainty over Income Tax Payments <sup>2</sup>
Amendments to FRSs	Annual Improvements to FRSs 2014 - 2016 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with early application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019, with early application permitted.

<sup>3</sup> Effective date deferred to a date to be determined and announced, with earlier application permitted.

The abovementioned Standards, Amendments and IC Interpretations will not be adopted in the annual financial statements of the Group and of the Company when they become effective. As the Group falls within the scope definition of Transitioning Entities, the Group is required to adopt new MFRS Framework for financial year ending 30 September 2019 as mentioned in Note 2(a)(iii) below.

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

#### (a) Statement of compliance (Cont'd)

##### (iii) Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (MFRS Framework), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities ("TEs").

TEs, being entities within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15: *Agreements for the Construction of Real Estate*, including its parents, significant investors and venturers were allowed to defer the adoption of the MFRS Framework until such time as mandated by the MASB. On 2 September 2014, with the issuance of MFRS 15 *Revenue from Contracts with Customers* and Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*, the MASB announced that TEs which have chosen to continue with the FRS Framework is now required to adopt the MFRS Framework latest by 1 January 2017.

On 8 September 2015, the MASB confirmed that the effective date of MFRS 15 will be deferred to annual periods beginning on or after 1 January 2018. However, early application of MFRS 15 is still permitted.

The Group falls within the scope of definition of TEs and has availed itself of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Group will be required to apply MFRS 1 *First-time adoption of Malaysian Financial Reporting Standards* in its financial statements for the financial year ending 30 September 2019, being the first set of financial statements prepared in accordance with new MFRS Framework.

In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings. Accordingly, the financial performance and financial position as disclosed in these financial statements for the financial year ended 30 September 2018 could be different if prepared under MFRS Framework.

The Group has performed preliminary assessment of the financial effects on the differences between accounting standards under FRS and MFRS Framework. The directors anticipate that the adoption of MFRS Framework will have no material impacts on the financial statements of the Group and of the Company except as further discussed below.

##### **MFRS 9 Financial Instruments**

MFRS 9 (IFRS 9 issued by International Accounting Standard Board ("IASB") in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

All recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost ("AC") at the end of subsequent accounting periods.

NOTES TO THE  
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)****(a) Statement of compliance (Cont'd)****(iii) Malaysian Financial Reporting Standards (Cont'd)****MFRS 9 Financial Instruments (Cont'd)**

Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instruments (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effect of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors have preliminary assessment of the effect of MFRS 9 adoption as follows:

Financial assets	2018 RM	Existing classification under MFRS 139	New classification under MFRS 9
<b>The Group</b>			
Receivables and deposits	260,950,140	Loans and receivables ("L&R")	AC
Cash, bank balances, term deposits and fixed income funds	227,726,216	L&R	AC
<b>The Company</b>			
Receivables and deposits	362,465,541	L&R	AC
Cash, bank balances, term deposits and fixed income funds	3,941,479	L&R	AC

The Group and the Company expect to apply the simplified approach and record lifetime expected losses on all receivables.

Apart from the impact arising from the expected credit loss model on impairment and providing more extensive disclosures on the Group's and the Company's financial instruments, the directors do not anticipate that the application of MFRS 9 will have a significant impact on the financial position and/or financial performance of the Group and of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

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## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

### (a) Statement of compliance (Cont'd)

#### (iii) Malaysian Financial Reporting Standards (Cont'd)

##### MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and the related interpretation when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

- Step 1 : Identify the contract(s) with a customer
- Step 2 : Identify the performance obligations in the contract
- Step 3 : Determine the transaction price
- Step 4 : Allocate the transaction price to the performance obligations in the contract
- Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

In June 2016, the MASB issued Clarifications to MFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors have specifically considered MFRS 15's guidance on contract modification arising from variation orders, identifying performance obligations, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of service to the customer and the timing of the related payments.

The directors intend to use the full retrospective method of transition to MFRS 15. Apart from providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

Based on the preliminary assessment, the Group estimates that the impact of the revenue allocation to each recognition of revenue and associated costs to fulfil the contract will not be significantly different from that currently determined.

##### MFRS 16 Leases

MFRS 16 specifies how a MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessees accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset as a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

#### (a) Statement of compliance (Cont'd)

##### (iii) Malaysian Financial Reporting Standards (Cont'd)

###### **MFRS 16 Leases (Cont'd)**

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The directors anticipate that the application of MFRS 16 may have an impact on the amounts reported and disclosures made in the financial statements of the Group. However, it is not practical to provide a reasonable estimate of the effect of the MFRS 16 until the Group completes a detailed review.

###### **MFRS 141 Agriculture**

MFRS 141 prescribes the accounting treatment, financial statement presentation and disclosures related to agricultural activity. It requires measurement of fair value less costs to sell, from initial recognition of biological assets up to the point of harvest.

On 2 September 2014, the Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 141 *Agriculture: Bearer Plants* introduce a new category of biological assets i.e. bearer plants. A bearer plant is a living plant that is used in the production and supply of agricultural produce, is expected to bear produce for more than one period, and has remote likelihood of being sold as agriculture produce. Bearer plants are accounted for under MFRS 116 as an item of property, plant and equipment. Agricultural produce growing on bearer plants continue to be measured at fair value less costs to sell under MFRS 141, with fair value changes recognised in profit or loss as the produce grows.

The Group's bearer plants consist of oil palm trees which the cost includes development expenditure and the plantation infrastructure from land clearing to the point of harvesting. Any replanting costs incurred are capitalised. These costs are currently in biological assets accounts and are measured at cost less accumulated amortisation based on estimated productive years of the plantation of 20 years from the date of maturity. Upon adoption of MFRS Framework, the net carrying amount of the biological assets accounts will be reclassified to bearer plants as part of the Group's property, plant and equipment.

Produce growing on bearer plants of the Group comprise fresh fruit bunches ("FFB") prior to harvest. The valuation to be 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 of FFB, the management has considered the quantity of the unripe FFB on bearer plant prior to harvest when there is formation of oil content and the quantity will be based on yield per harvest per metric tonne. The estimated ripe FFB is based on actual oil extraction rate and kernel extraction rate of the unripe FFB from the laboratory tests. Cost to sell includes the costs in producing the FFB which are direct costs from the upkeep, harvesting cost and transportation cost.

Based on the preliminary assessment, the directors do not anticipate that the application of MFRS 141 will have a significant impact on the financial position and/or financial performance of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

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## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

### (b) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

### (c) Significant accounting estimates and judgements

Significant areas of estimation, uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are described in the following paragraphs:

- (i) Revenue and cost of sales recognition (Notes 4 and 5) - the Group recognises property development revenue and the related cost of sales by reference to the stage of completion of the development activity at the reporting date. The stage of completion is determined based on the proportion of development costs incurred for work performed to-date bears to the estimated total property development costs. Significant judgement is required in the estimation of total property development costs. Where the actual total property development costs is different from the estimated total property development costs, such difference will impact the property development profits/(loss) recognised.
- (ii) Tax expense (Note 8) - significant judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the tax expense. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due is uncertain. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax in the periods in which the outcome is known.
- (iii) Valuation of land and buildings (Note 10) - the valuation of land and buildings performed by management is based on independent professional valuations with reference to direct comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and when necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences, cost method of valuation, being assumed to have a direct relationship with its cost of construction, is then adjusted to allow for cost of finance, profit and demand to reflect its profitable present market value. The management believes that the chosen valuation techniques and assumptions are appropriate in determining the valuation of the Group's and of the Company's land and buildings.
- (iv) Depreciation of property, plant and equipment and amortisation of biological assets (Notes 10 and 12) - the cost of property, plant and equipment and biological assets is depreciated or amortised on a straight line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 50 years and biological assets to be 20 years based on past experience with similar assets or/and common life expectancies of the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets resulting in revision of future depreciation or amortisation charges.
- (v) Impairment of goodwill (Note 11) - significant judgement is used in the estimation of the present value of future cash flows generated by the cash-generating units which involve uncertainties and are based on assumptions used and judgement made regarding estimates of future cash flows and discount rate.

NOTES TO THE  
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)****(c) Significant accounting estimates and judgements (Cont'd)**

- (vi) Fair values of investment properties (Note 14) - the measurement of the fair values for investment properties performed by management is based on independent professional valuations with reference to direct comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences, investment method, being the projected net income and other benefits that the subject property can generate over the life of the property capitalised at market derived yields to arrive at the present value of the property and cost method of valuation, being assumed to have a direct relationship with its cost of construction, is then adjusted to allow for cost of finance, profit and demand to reflect its profitable present market value. The management believes that the chosen valuation techniques and assumptions are appropriate in determining the fair values of the Group's investment properties.
- (vii) Deferred tax assets (Note 18) - deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances based on the projected future profits of the Group to the extent that is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future financial performance of the Group.
- (viii) Impairment loss on receivables (Note 19) - the Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.
- (ix) Inventories (Note 21) - the saleability of inventories are reviewed by management on a periodic basis. This review involves comparison of the carrying value of the inventory items with the respective net realisable value. The purpose is to ascertain whether a write down to net realisable value is required to be made.
- (x) Provision of post-employment benefit obligations (Note 26) - the provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involved making assumptions about discount rate, future salary increase, mortality rates, resignation rate and normal retirement age. As such, this estimated provision amount is subject to significant uncertainty.
- (xi) Revenue and cost recognition for intangible asset model (Note 11) - a subsidiary, which adopts the intangible asset model has recognised a construction margin of 7% in the construction of commuter station. Income and expenses associated with the said construction are recognised based on percentage of completion method. The estimated margin is based on relative comparison with general industry trend although actual margins may differ due to location, materials and other pricing considerations.
- (xii) Tax litigation in Indonesia (Note 32) - significant judgment is required in determining the tax litigation status in Indonesia. This judgement involves the understanding of relevant case facts, past experience and updates on the tax assessment status from time to time. Should it be probable that an outflow of resources will be required to settle the obligation, a provision may be required.

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group, unless otherwise stated.

#### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (a) Basis of consolidation (Cont'd)

When the Group loses control of a subsidiary, a gain or a loss is recognised and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

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

#### (b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 *Income Taxes* and FRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with FRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.



## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (b) Business combinations (Cont'd)

The subsequent accounting for changes in the fair value contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with FRS 139 or FRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

If the initial accounting for a business combination is incomplete at the reporting date in which the combination occurs, the Group reports provisional amounts for the items of which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

#### (c) Investment in Associates

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

The results, assets and liabilities of associate are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associate are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 136 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE  
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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

**3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(c) Investment in Associates (Cont'd)**

The Group discontinues the use of the equity method from the date when investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 139. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets and liabilities. Therefore, if a gain or a loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associate of the Group, profits or losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associate that are not related to the Group.

**(d) Foreign currency****(i) Foreign currency transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the Group entities' functional currency (foreign currencies) are recorded in the Group entities' functional currency at the exchange rates prevailing at the date of the transaction. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (d) Foreign currency (Cont'd)

##### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- (i) assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- (ii) income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- (iii) all resulting exchange differences are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

Upon disposal of a foreign subsidiary, the cumulative amount of translation differences accumulated in equity at the date of disposal of the subsidiary is reclassified to the consolidated profit or loss.

#### (e) Revenue recognition

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

##### (i) Development properties

Revenue from development properties sold is recognised on the percentage of completion method when the outcome of the property development projects can be reliably estimated. The stage of completion is measured by the proportion that development costs incurred for work performed to-date bear to the estimated total development costs for units sold. Where foreseeable losses on development properties are anticipated, full allowance of those losses is made in the financial statements.

Revenue from the sale of completed development properties and land held for development are measured at fair value of the consideration received or receivable net of trade discounts and rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of properties can be estimated reliably, and there is no continuing management involvement with the properties.

##### (ii) Investment properties

Revenue from sale of investment properties is measured at fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of investment properties can be estimated reliably, and there is no continuing management involvement with the properties.

NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

**3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**(e) Revenue recognition (Cont'd)**

**(iii) Construction contract**

Revenue from rendering of services relating to construction contracts is accounted for under the percentage of completion method.

**(iv) Sale of goods**

Revenue from sale of goods, crude palm oil and palm kernel is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods and customer acceptance, if any, when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

**(v) Services**

Revenue from services is recognised as and when services are rendered.

**(vi) Entrance and subscription fees**

Entrance and subscription fees received from club members are recognised on an accrual basis. When members account become inactive, subscription fee is suspended until it is realised on a cash basis. Members' accounts are deemed to be inactive where subscriptions are in arrears for more than 6 months.

**(vii) Rental income**

Rental income is recognised on a straight line basis over the lease terms.

**(viii) Interest income**

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

Interest income from hire-purchase financing, housing loan and term loan are recognised on an accrual basis as follows:

(a) interest earned on hire-purchase financing is recognised using the 'sum-of-digits' method so as to produce a constant periodic rate of interest on the balance for each period. Unearned interest is deducted in arriving at the net balance of the hire-purchase debts; and

(b) interest earned on housing loan and term loan is calculated on a monthly rest basis.

**(ix) Dividend income**

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

**(x) Income from fixed income fund**

Income from fixed income fund is recognised when the right to receive payment is established.

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (f) Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if any, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the Employees Provident Fund or other defined contributable plans are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

##### (ii) Defined benefit plans

Certain foreign subsidiaries of the Company operate unfunded defined benefit schemes. The foreign subsidiaries' obligations under the schemes are determined based on external actuarial valuation in accordance with the labour law requirements in that country where the amount of benefits that employees have earned in return for their service in the current and prior years is estimated. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting date. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be classified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost and past service cost);
- net interest expense or income; and
- remeasurement.

The amount recognised at the reporting date represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Plan assets resulting from this calculation are to be used only to settle the employee benefit obligations and only can be returned to the Group if the remaining assets of the fund are sufficient to meet the plan's obligation to pay the related employee benefits directly.

##### (iii) Retirement gratuity scheme

The Company established a retirement gratuity scheme in 2005 for certain Executive Directors of the Company. The amount of retirement gratuity payable is determined by the Board of Directors in relation to the past services rendered and it does not account for the director's services to be rendered in later years up to retirement. The retirement gratuity is calculated based on the last drawn monthly salaries of the eligible directors and contribution to Employees Provident Fund for three years. The retirement gratuity payable is vested upon the directors reaching retirement age and is classified as current liabilities.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (g) Borrowing costs

All borrowing costs are recognised in profit or loss using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

#### (h) Leases

##### (i) Finance leases - The Group as lessee

Leases of property, plant and equipment where the Group and the Company assume substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

##### (ii) Operating leases - The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on the straight-line basis. The up-front payment for lease of land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term.

##### (iii) Finance leases - The Group as lessor

Leases where the Group transfers substantially all the risks and rewards of ownership of the asset are classified as finance leases. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest earned on hire purchase or finance lease financing is recognised using the 'sum-of-digits' method so as to produce a constant periodic rate of interest on the balance for each period. Unearned interest is deducted in arriving at the net balance of the hire purchase or finance lease debts.

#### (i) Tax expense

Income tax for the year comprises current and deferred tax. Current tax is the expected amount of income tax payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (i) Tax expense (Cont'd)

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

Deferred tax is measured at tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

#### (j) Property, plant and equipment

##### (i) Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment, except for freehold land and buildings, are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at valuation, which is the fair value at the date of valuation, less impairment loss, if any. Buildings are stated at valuation, which is the fair value at the date of the valuation, less accumulated depreciation and impairment loss, if any.

The Group revalues its land and building every five years from the last date of valuation or at shorter intervals whenever the fair value of the said assets is expected to differ substantially from its carrying amounts.

Surplus arising from revaluation are transferred to revaluation reserve. Any deficits are offset against the previously recognised revaluation surplus to the extent of a previous increase for the same property and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any unutilised revaluation reserve relating to the particular asset is transferred to retained earnings.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (j) Property, plant and equipment (Cont'd)

##### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of the day-to-day servicing of the property, plant and equipment are recognised in profit or loss as incurred.

##### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until these assets are ready for their intended use.

The principal annual rates for the current and comparative financial years are as follows:

Long-term leasehold land	Over lease period of 78 to 99 years
Buildings	2% to 12.5%
Motor vehicles, plant and machinery	5% to 20%
Furniture, fittings and equipment	10% to 25%
Plantation infrastructure	12.5%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

#### (k) Intangible assets

##### (i) Goodwill

Goodwill arises on the acquisition of subsidiaries is identified as any excess of the consideration paid over the Group's share of fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition. Goodwill is initially measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill acquired is allocated to the cash-generating units ("CGU") expected to benefit from the acquisition synergies. An impairment loss is recognised in profit or loss when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each assets in the CGU. Impairment loss on goodwill is not reversed in a subsequent period.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (k) Intangible assets (Cont'd)

##### (ii) Other intangible assets

Other intangible assets acquired by the Group are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit level.

#### (l) Biological assets

This represents plantation development expenditure consisting of cost incurred on land preparation and planting and upkeep of oil palm trees to maturity which are initially recognised at cost. Upon maturity, all subsequent maintenance expenditure is recognised in profit or loss and the capitalised expenditure is amortised on a straight-line basis over the estimated productive years of the plantation of 20 years from the date of maturity.

#### (m) Investment properties

Investment properties are properties which are owned or held to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies within the Group are accounted for as owner's occupied rather than as investment properties.

All investment properties are measured initially and subsequently at fair value with any change therein recognised in profit or loss.

Investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (n) Land held for property development

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development costs (under current assets) where development activities have commenced and where the development activities can be completed within the Group's normal operating cycle.

#### (o) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Costs consist of land, construction costs and other development costs including related overheads and capitalised borrowing costs.

When the financial outcome of a development activity can be reliably estimated, property development revenue and costs are recognised in profit or loss by reference to the stage of completion of development activities at the reporting date. The stage of completion is measured by the proportion that development costs incurred for work performed to-date bear to the estimated total development costs of the development.

When the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of development costs incurred that are probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defect liability period, is recognised as an expense immediately. Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

Accrued billings represent the excess of revenue recognised in profit or loss over billings to purchasers. Progress billings represent the excess of billings to purchasers over revenue recognised in profit or loss.

#### (p) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus.



## NOTES TO THE FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (p) Impairment of non-financial assets (Cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless it reverses an impairment loss on revalued assets, in which case, the reversal is treated as a revaluation increase.

#### (q) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the specific identification, first-in first-out and weighted average principles, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes raw materials, direct labour and an appropriate production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

Cost of completed development properties is determined on specific identification basis and includes land, construction and appropriate development overheads.

#### (r) Non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is expected to be completed within one year from the date of classification. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

#### (s) Financial instruments

##### (i) Initial recognition and measurement

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (s) Financial instruments (Cont'd)

##### (ii) Financial instrument categories and subsequent measurement

###### Financial assets

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (FVTPL), “held-to-maturity” investments, “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

###### (a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets are either held for trading or is designated as at FVTPL. Financial assets at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

###### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (including fixed deposits with financial institutions). Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income from financial assets is recognised on an effective interest method for debt instruments other than those financial assets classified as at FVTPL.

###### Equity instruments

###### (a) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

###### (b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (s) Financial instruments (Cont'd)

##### (ii) Financial instrument categories and subsequent measurement (Cont'd)

###### Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities are classified as either financial liabilities “at FVTPL” or “other financial liabilities”.

###### (a) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when financial liabilities are either held for trading or is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

###### (b) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### (iv) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (s) Financial instruments (Cont'd)

##### (iv) Impairment of financial assets (Cont'd)

Receivables assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

In respect of receivables carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### (t) Cash and cash equivalents

The Group and the Company adopt the indirect method in the preparation of the statement of cash flows. Cash and cash equivalents are short-term and highly liquid investments and are readily convertible to cash with insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

##### (u) Provisions

Provisions are made when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the management's best estimate of the amount required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

At the reporting date, provisions are reviewed by the management and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group will be required to settle the obligation.

##### (v) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable costs are classified as treasury shares and presented as deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (w) Warrant reserve

Warrant reserve arose from the issuance of renounceable rights issue together with free detachable warrants in prior years, which was measured at fair value on the date of issuance. Warrants reserve is transferred to the share capital account upon the exercise of warrant and the warrant reserve in relation to unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

#### (x) Contingencies

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

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

#### (y) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by their respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to chief operating decision maker who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

#### (z) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 2, leasing transactions that are within the scope of FRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 102 *Inventories* or value in use in FRS 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.



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## 4. REVENUE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Attributable revenue from sale of uncompleted development properties and sale of completed development properties	686,632,584	695,062,211	-	-
Attributable revenue from construction contracts	4,971,433	7,466,107	-	-
Dividend income from subsidiaries	-	-	32,516,500	44,370,000
Interest income from money lending	1,542,788	568,341	-	-
Rental income	178,475	316,138	-	-
Rental income from investment properties	29,128,027	29,991,212	-	-
Revenue from hotel operations	2,617,170	3,569,366	-	-
Sale of goods	81,501,366	70,406,108	-	-
Sale of non-current assets classified as held for sale	11,082,732	-	-	-
Sale of crude palm oil and palm kernel	263,196,707	260,538,361	-	-
Services rendered	849,633	915,658	-	-
	1,081,700,915	1,068,833,502	32,516,500	44,370,000

Group revenue excludes intra-group transactions.

## 5. COST OF SALES

	The Group	
	2018 RM	2017 RM
Attributable property development costs and cost of completed development properties sold	477,393,709	430,671,038
Attributable construction contract costs	4,646,199	6,977,671
Direct operating expenses from investment properties generating rental income	10,986,928	10,248,498
Cost of goods sold	78,005,902	65,085,999
Cost of non-current assets classified as held for sale	10,027,550	-
Cost of sales of crude palm oil and palm kernel	151,754,590	170,154,441
Cost of services	714,853	775,481
	733,529,731	683,913,128

# NOTES TO THE FINANCIAL STATEMENTS

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## 6. PROFIT BEFORE TAX

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Profit before tax is arrived at after charging:</b>				
Amortisation of prepaid lease payments	1,509,763	1,530,438	-	-
Amortisation of biological assets	14,977,744	16,719,899	-	-
Auditors' remuneration:				
Audit services	539,438	527,426	50,000	50,000
Other services by auditors of the Company	35,000	34,000	15,000	15,000
Bad debts written off	216,368	-	-	-
Biological assets written off	1,130,667	4,775,926	-	-
Changes in fair value of investment properties	317,000	-	-	-
Deposits written off	2,000	5,600	-	-
Depreciation of property, plant and equipment	19,428,065	20,055,373	19,573	19,573
Interest expense:				
Loans and borrowings	30,905,456	40,573,385	3,216,910	4,656,946
Unwinding of discount	3,343,748	6,991,161	-	-
Inventories written down	940,057	-	-	-
Inventories written off	2,193	161,778	-	-
Impairment loss on:				
Finance lease receivables	890	-	-	-
Trade receivables	77,374	59,906	-	-
Other receivables	-	2,000	-	-
Land donation	9,461,450	-	-	-
Net losses on foreign exchange:				
Realised	3,949,785	6,717,756	-	-
Unrealised	36,440,727	7,180,903	-	-
Personnel expenses (including key management personnel):				
Contributions to Employees Provident Fund	6,234,943	6,338,677	-	-
Provision for post-employment benefit obligations	1,497,090	832,705	-	-
Provision for retirement gratuity	-	587,866	-	-
Wages, salaries and others	57,147,728	56,314,358	291,881	319,082
Property, plant and equipment written off	214,243	23,660	-	1
Rental of motor vehicles, equipment and machinery	1,029,691	733,137	-	-
Rental of premises	66,744	54,332	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

## 6. PROFIT BEFORE TAX (Cont'd)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>and after crediting:</b>				
Bad debts recovered	9,187	-	-	-
Dividend income (gross)	-	-	32,516,500	44,370,000
Gain on disposal of an associate	2,000,000	-	-	-
Gain on disposal of non-current assets classified as held for sale	1,055,182	-	-	-
Gain on disposal of property, plant and equipment	26,176	7,735	-	-
Gain on retention sum measured at amortised cost	161,806	-	-	-
Gain on investment in subsidiary arising from realisation of bonus share (Note 15)	-	-	18,000,000	-
Changes in fair value of investment properties	-	2,987,901	-	-
Interest income:				
Advances to subsidiaries	-	-	18,351,865	14,885,396
Bank balances, term deposits and fixed income funds	5,451,093	6,012,785	311,590	146,211
Accretion of interest	694,008	119,151	-	-
Realised gain on foreign exchange	-	-	108,590	382
Rental income on land and buildings	32,792,687	31,620,260	-	-
Impairment loss no longer required on:				
Finance lease receivables	200	100	-	-
Trade receivables	25,662	64,942	-	-
Other receivables	32,200	58,483	7,200	4,200

## 7. DIRECTORS' REMUNERATION

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Directors of the Company</b>				
Executive Directors:				
Other emoluments	15,973,580	15,664,659	-	-
Provision of retirement gratuity	-	587,866	-	-
	15,973,580	16,252,525	-	-
Non-Executive Directors:				
Fees	233,333	250,000	233,333	250,000
Other emoluments	75,240	81,240	33,000	39,000
	308,573	331,240	266,333	289,000
	16,282,153	16,583,765	266,333	289,000
<b>Directors of subsidiaries</b>				
Executive Directors:				
Other emoluments	5,660,927	5,227,024	-	-
	21,943,080	21,810,789	266,333	289,000

# NOTES TO THE FINANCIAL STATEMENTS

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## 7. DIRECTORS' REMUNERATION (Cont'd)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Estimated monetary value of benefits-in-kind</b>				
Directors of the Company - Executive Directors	100,653	94,487	-	-
Directors of subsidiaries - Executive Directors	199,825	23,950	-	-
	300,478	118,437	-	-
	22,243,558	21,929,226	266,333	289,000

## 8. TAX EXPENSE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Current tax</b>				
Malaysia:				
Current financial year	51,861,840	58,754,670	4,112,100	3,251,600
Prior financial year	716,418	7,083,413	24,584	6,546
Overseas:				
Current financial year	8,602,400	12,213,902	-	-
Prior financial year	957,212	540,849	-	-
	62,137,870	78,592,834	4,136,684	3,258,146
<b>Deferred tax (Note 18):</b>				
Origination and reversal of temporary differences	(10,254,508)	(8,589,594)	1,400	1,400
Overprovision in prior financial year	(264,722)	(1,254,197)	-	-
	(10,519,230)	(9,843,791)	1,400	1,400
<b>Total tax expense recognised in profit or loss</b>	<b>51,618,640</b>	<b>68,749,043</b>	<b>4,138,084</b>	<b>3,259,546</b>
<b>Deferred tax related to other comprehensive income (Note 18):</b>				
Remeasurement loss/(gain) on defined benefit plans	504,607	(212,071)	-	-
Changes in tax rate relating to surplus arising from revaluation of land and buildings	131,500	-	26,500	-
<b>Total tax expense/(income) recognised in other comprehensive income</b>	<b>636,107</b>	<b>(212,071)</b>	<b>26,500</b>	<b>-</b>

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## 8. TAX EXPENSE (Cont'd)

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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	126,698,478	193,592,301	62,151,457	50,665,944
Tax calculated using Malaysian tax rate of 24% (2017:24%)	30,407,600	46,462,200	14,916,400	12,159,800
Tax effects of:				
Non-deductible expenses	11,355,307	11,837,430	1,321,100	1,742,000
Non-taxable income	(2,921,322)	(2,862,615)	(12,124,000)	(10,648,800)
Share of results of associates	(86,539)	529,475	-	-
Effect of changes in tax rate:				
Investment properties	60,230	(567,696)	-	-
Real property gains tax	6,496,070	-	-	-
Effect of changes in overseas tax rate:				
The People's Republic of China	9,000	10,389	-	-
Republic of Indonesia	182,646	156,638	-	-
Deferred tax assets not recognised	6,477,740	9,180,863	-	-
Realisation of deferred tax assets not recognised in prior financial years	(1,704,700)	(1,851,706)	-	-
Utilisation of reinvestment allowance	(66,300)	(516,000)	-	-
Under/(Over)provision in prior financial year:				
Current tax	1,673,630	7,624,262	24,584	6,546
Deferred tax	(264,722)	(1,254,197)	-	-
Tax expense	51,618,640	68,749,043	4,138,084	3,259,546

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 30 September 2018, the estimated amount of deductible temporary differences, unused tax losses and unused tax credits, for which the net deferred tax assets are not recognised in the financial statements due to uncertainty of realisation, is as follows:

	The Group	
	2018 RM	2017 RM
Unused tax losses	33,763,385	31,588,664
Unabsorbed capital allowances	94,686	103,213
Other temporary differences	94,912,753	77,191,281
	128,770,824	108,883,158



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## 9. EARNINGS AND NET ASSETS PER SHARE

### Basic earnings per share

The basic earnings per share is calculated by dividing the Group's profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

Basic earnings per share are calculated as follows:

	<b>The Group</b> <b>2018</b> <b>RM</b>	<b>2017</b> <b>RM</b>
Profit attributable to owners of the parent	69,446,877	128,206,980
	<b>The Group</b> <b>2018</b>	<b>2017</b>
Number of ordinary shares in issue at beginning of the financial year	562,901,922	419,443,984
Effect of exercise of warrants	19,270,137	5,700,105
Effect of rights and bonus issue	-	105,113,048
Weighted average number of ordinary shares in issue	582,172,059	530,257,137
Basic earnings per share (sen)	11.93	24.18

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

## 9. EARNINGS AND NET ASSETS PER SHARE (Cont'd)

### Diluted earnings per share

The diluted earnings per share of the Group is calculated by dividing the Group's net profit attributable to owners of the parent for the financial year by the weighted average number of ordinary shares in issue, adjusted to assume the conversion of all dilutive potential ordinary shares, i.e. warrants. A calculation is done to determine the number of shares that could have been acquired at market price based on the monetary value of the subscription rights attached to the outstanding warrants.

The warrants expired on 29 December 2017. Thereafter, calculation of diluted earnings per share is not applicable.

	The Group	
	2018 RM	2017 RM
Profit attributable to owners of the parent	-	128,206,980
	The Group	
	2018	2017
Weighted average number of ordinary shares in issue	-	530,257,137
Adjustments for warrants	-	10,182,632
Adjusted weighted average number of ordinary shares	-	540,439,769
Diluted earnings per share (sen)	-	23.72

In the previous financial year, 22,789,778 warrants have been exercised resulted in the issuance of 22,789,778 ordinary shares.

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

### Net assets per share

The net assets per share is calculated by dividing the total equity attributable to owners of the parent by the number of ordinary shares in issue, net of treasury shares at the reporting date as disclosed in Note 24.

## 10. PROPERTY, PLANT AND EQUIPMENT

The Group 2018	Freehold land RM	Long-term leasehold land RM	Buildings RM	Motor vehicles, plant and machinery RM	Furniture, fittings and equipment RM	Plantation infrastructure RM	Under construction RM	Total RM
<b>Cost/Valuation</b>								
At 1 October 2017	12,240,000	6,400,000	93,477,876	99,064,626	33,259,629	48,649,545	3,125,609	296,217,285
Additions	-	-	307,125	7,625,156	3,826,797	107,244	5,703,327	17,569,649
Disposals	-	-	-	(421,000)	-	-	-	(421,000)
Write-offs	-	-	(2,413)	(1,135,828)	(903,095)	-	-	(2,041,336)
Reclassification	-	-	1,595,319	2,258	-	2,622,199	(4,219,776)	-
Effect of movements in exchange rates	-	-	(6,387,520)	(10,017,041)	(870,064)	(5,587,054)	(363,625)	(23,225,304)
At 30 September 2018	12,240,000	6,400,000	88,990,387	95,118,171	35,313,267	45,791,934	4,245,535	288,099,294
<b>Accumulated Depreciation</b>								
At 1 October 2017	-	173,560	18,055,027	39,565,863	16,099,556	12,276,716	-	86,170,722
Charge for the financial year*	-	86,780	6,479,328	7,396,851	3,522,242	2,245,008	-	19,730,209
Disposals	-	-	-	(303,232)	-	-	-	(303,232)
Write-offs	-	-	-	(947,149)	(879,944)	-	-	(1,827,093)
Effect of movements in exchange rates	-	-	(1,891,303)	(4,844,876)	(454,783)	(1,416,460)	-	(8,607,422)
At 30 September 2018	-	260,340	22,643,052	40,867,457	18,287,071	13,105,264	-	95,163,184
<b>Net Carrying Amount</b>								
At 30 September 2018	12,240,000	6,139,660	66,347,335	54,250,714	17,026,196	32,686,670	4,245,535	192,936,110

## 10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group 2017	Freehold land RM	Long-term leasehold land RM	Buildings RM	Motor vehicles, plant and machinery RM	Furniture, fittings and equipment RM	Plantation infrastructure RM	Under construction RM	Total RM
<b>Cost/Valuation</b>								
At 1 October 2016	12,240,000	6,400,000	91,768,347	95,671,302	28,872,359	46,678,829	3,946,042	285,576,879
Additions	-	-	-	4,985,543	4,567,787	-	4,361,015	13,914,345
Disposals	-	-	-	(53,785)	(4,959)	-	-	(58,744)
Write-offs	-	-	-	(182,085)	(322,166)	-	-	(504,251)
Reclassification	-	-	2,128,643	16,279	252,847	2,731,531	(5,129,300)	-
Effect of movements in exchange rates	-	-	(419,114)	(1,372,628)	(106,239)	(760,815)	(52,148)	(2,710,944)
At 30 September 2017	12,240,000	6,400,000	93,477,876	99,064,626	33,259,629	48,649,545	3,125,609	296,217,285
<b>Accumulated Depreciation</b>								
At 1 October 2016	-	86,780	11,124,153	33,866,483	13,311,092	10,024,831	-	68,413,339
Charge for the financial year*	-	86,780	7,152,237	7,593,015	3,146,152	2,434,822	-	20,413,006
Disposals	-	-	-	(21,933)	(4,380)	-	-	(26,313)
Write-offs	-	-	-	(178,009)	(302,582)	-	-	(480,591)
Effect of movements in exchange rates	-	-	(221,363)	(1,693,693)	(50,726)	(182,937)	-	(2,148,719)
At 30 September 2017	-	173,560	18,055,027	39,565,863	16,099,556	12,276,716	-	86,170,722
<b>Net Carrying Amount</b>								
At 30 September 2017	12,240,000	6,226,440	75,422,849	59,498,763	17,160,073	36,372,829	3,125,609	210,046,563

\* Included in depreciation charge for the financial year is an amount of RM302,144 (2017: RM357,633) capitalised in biological assets.

## 10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The freehold and leasehold land and buildings stated at valuation were revalued by the directors in September 2015 and September 2010 based on independent professional valuation on the market value basis using the cost and direct comparison of valuation methods, except for certain buildings located at oil palm plantation with carrying amounts (included current year additions) totalling RM14,951,190 (2017:RM19,314,290) were not revalued as at 30 September 2015. The directors are of the view that it is not practicable to fair value these buildings as these are mainly staff quarters and amenities which were built at the oil palm plantation for use by the plantation workers and there is a lack of active market for the buildings.

The Group 2018	Freehold land RM	Long-term leasehold land RM	Buildings RM	Motor vehicles, plant and machinery RM	Furniture, fittings and equipment RM	Plantation infrastructure RM	Under construction RM	Total RM
<b>Analysis of Cost and Valuation</b>								
At valuation - 2015	12,240,000	6,400,000	68,528,672	-	-	-	-	87,168,672
At cost	-	-	20,461,715	95,118,171	35,313,267	45,791,934	4,245,535	200,930,622
	12,240,000	6,400,000	88,990,387	95,118,171	35,313,267	45,791,934	4,245,535	288,099,294
<b>Net Carrying Amount</b>								
At valuation - 2015	12,240,000	6,139,660	51,396,145	-	-	-	-	69,775,805
At cost	-	-	14,951,190	54,250,714	17,026,196	32,686,670	4,245,535	123,160,305
	12,240,000	6,139,660	66,347,335	54,250,714	17,026,196	32,686,670	4,245,535	192,936,110
<b>2017</b>								
<b>Analysis of Cost and Valuation</b>								
At valuation - 2015	12,240,000	6,400,000	65,080,502	-	-	-	-	83,720,502
At cost	-	-	28,397,374	99,064,626	33,259,629	48,649,545	3,125,609	212,496,783
	12,240,000	6,400,000	93,477,876	99,064,626	33,259,629	48,649,545	3,125,609	296,217,285
<b>Net Carrying Amount</b>								
At valuation - 2015	12,240,000	6,226,440	56,108,559	-	-	-	-	74,574,999
At cost	-	-	19,314,290	59,498,763	17,160,073	36,372,829	3,125,609	135,471,564
	12,240,000	6,226,440	75,422,849	59,498,763	17,160,073	36,372,829	3,125,609	210,046,563





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## 10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land RM	Buildings RM	Furniture, fittings and equipment RM	Total RM
<b>The Company 2018</b>				
<b>Cost/Valuation</b>				
At 1 October 2017/30 September 2018	640,000	590,000	68,434	1,298,434
<b>Accumulated Depreciation</b>				
At 1 October 2017	-	26,818	53,198	80,016
Charge for the financial year	-	13,409	6,164	19,573
At 30 September 2018	-	40,227	59,362	99,589
<b>Net Carrying Amount</b>				
At 30 September 2018	640,000	549,773	9,072	1,198,845
<b>2017</b>				
<b>Cost/Valuation</b>				
At 1 October 2016	640,000	590,000	75,834	1,305,834
Write-off	-	-	(7,400)	(7,400)
At 30 September 2017	640,000	590,000	68,434	1,298,434
<b>Accumulated Depreciation</b>				
At 1 October 2016	-	13,409	54,433	67,842
Charge for the financial year	-	13,409	6,164	19,573
Write-off	-	-	(7,399)	(7,399)
At 30 September 2017	-	26,818	53,198	80,016
<b>Net Carrying Amount</b>				
At 30 September 2017	640,000	563,182	15,236	1,218,418

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## 10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land RM	Buildings RM	Furniture, fittings and equipment RM	Total RM
<b>The Company 2018</b>				
<b>Analysis of Cost and Valuation</b>				
At valuation - 2015	640,000	590,000	-	1,230,000
At cost	-	-	68,434	68,434
	640,000	590,000	68,434	1,298,434
<b>Net Carrying Amount</b>				
At valuation - 2015	640,000	549,773	-	1,189,773
At cost	-	-	9,072	9,072
	640,000	549,773	9,072	1,198,845
<b>2017</b>				
<b>Analysis of Cost and Valuation</b>				
At valuation - 2015	640,000	590,000	-	1,230,000
At cost	-	-	68,434	68,434
	640,000	590,000	68,434	1,298,434
<b>Net Carrying Amount</b>				
At valuation - 2015	640,000	563,182	-	1,203,182
At cost	-	-	15,236	15,236
	640,000	563,182	15,236	1,218,418

The net carrying amount of revalued assets had they been carried at cost would have been as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Freehold land	666,424	666,424	110,000	110,000
Long-term leasehold land	962,474	976,077	-	-
Buildings	36,796,235	40,708,588	374,900	384,100
	38,425,133	42,351,089	484,900	494,100

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

Included in the above property, plant and equipment are:

(a) Motor vehicles, plant and machinery analysed as follows:

The Group	Motor vehicles RM	Plant and machinery RM	Total RM
<b>2018</b>			
Cost	16,131,899	78,986,272	95,118,171
Accumulated depreciation	(10,466,997)	(30,400,460)	(40,867,457)
Net carrying amount	5,664,902	48,585,812	54,250,714
<b>2017</b>			
Cost	16,235,403	82,829,223	99,064,626
Accumulated depreciation	(9,546,648)	(30,019,215)	(39,565,863)
Net carrying amount	6,688,755	52,810,008	59,498,763

(b) Property, plant and equipment pledged as security for bank guarantee and credit facilities granted to certain subsidiaries as disclosed in Note 28 are as follows:

	The Group	
	2018 RM	2017 RM
<b>Cost/Valuation</b>		
Buildings	24,000,000	24,000,000
<b>Net Carrying Amount</b>		
Buildings	22,243,902	22,829,268

(c) Motor vehicles and plant and machinery under finance lease arrangements are as follows:

	The Group	
	2018 RM	2017 RM
Cost	5,201,170	5,561,811
Net carrying amount	1,728,568	2,025,083

(d) Property, plant and equipment under construction are mainly construction of buildings, plant and machinery in oil palm plantation.

(e) The long-term leasehold land of the Group has remaining unexpired lease period of more than 50 years.

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## 11. INTANGIBLE ASSETS

	<b>The Group</b> <b>2018</b> <b>RM</b>	<b>2017</b> <b>RM</b>
Goodwill (Note 11.1)	4,915,669	5,548,038
Other intangible asset (Note 11.2)	21,438,080	16,466,647
<b>Net carrying amount</b>	<b>26,353,749</b>	<b>22,014,685</b>

### 11.1 Goodwill

	<b>The Group</b> <b>2018</b> <b>RM</b>	<b>2017</b> <b>RM</b>
<b>Goodwill on acquisition - At cost</b>		
At beginning of year	5,652,266	5,740,095
Effect of movements in exchange rate	(632,369)	(87,829)
At end of year	5,019,897	5,652,266
<b>Accumulated impairment loss</b>		
At beginning and end of year	(104,228)	(104,228)
<b>Net carrying amount</b>	<b>4,915,669</b>	<b>5,548,038</b>

### Impairment test of goodwill

Goodwill on acquisition is allocated to the Group's cash-generating units ("CGUs"), business segments as follows:

	<b>The Group</b> <b>2018</b> <b>RM</b>	<b>2017</b> <b>RM</b>
Plantation	4,883,300	5,515,669
Property development	32,369	32,369
	<b>4,915,669</b>	<b>5,548,038</b>

The goodwill allocated to property development segment is not significant in comparison with the Group's total carrying amount of goodwill.

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## 11. INTANGIBLE ASSETS (Cont'd)

### Impairment test of goodwill (Cont'd)

Key assumptions used in the value-in-use calculations based on a 12 years (2017: 13 years) cash flows projection in respect of impairment test for goodwill on the plantation segment are:

- (i) discount rate of 11.5% (2017: 11.5%) which is pre-tax and reflected specific risks of the plantation segment in Indonesia;
- (ii) oil palm trees with an average life of 25 (2017: 25) years with the first three years as immature and remaining years as mature which is the average life cycle of the trees;
- (iii) Crude Palm Oil ("CPO") average selling price of RM1,984 (2017: RM2,323) per metric tonne based on the management's estimate;
- (iv) Average CPO extraction rate of 22% (2017: 22%) based on the industry trend and past performance; and
- (v) Average annual oil palm yield per hectare of 30 to 34 (2017: 28 to 33) metric tonnes based on management's estimate and historical yield.

In assessing the value-in-use, management does not foresee any possible changes in the above key assumptions that would cause the carrying amounts of the goodwill to materially exceed its recoverable amounts.

### 11.2 Other Intangible asset

	The Group	
	2018 RM	2017 RM
<b>Capitalised development</b>		
At beginning of year	16,466,647	9,000,539
Additions	4,971,433	7,466,108
At end of year	21,438,080	16,466,647

Other intangible asset represents expenditure incurred to construct a commuter station for Railway Asset Corporation ("RAC") in consideration for the right to lease a plot of land from RAC for a period of 60 years. The total estimated construction costs of the commuter station is approximately RM40,139,000.



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## 12. BIOLOGICAL ASSETS

	2018 RM	The Group 2017 RM
<b>At cost:</b>		
At beginning of year	284,975,508	304,826,120
Additions	5,670,585	5,693,703
Amortisation for the financial year	(14,977,744)	(16,719,899)
Written off	(1,130,667)	(4,775,926)
Effect of movements in exchange rate	(31,220,286)	(4,048,490)
At end of year	243,317,396	284,975,508

Biological assets represent the plantation development expenditure for oil palm in Indonesia.

Expenses capitalised during the financial year include the following:

	2018 RM	The Group 2017 RM
Depreciation of property, plant and equipment	302,144	357,633
Interest capitalised	940,699	1,459,308
Personnel expenses:		
Wages, salaries and others	831,284	788,621

The interest on borrowing for the financial year is capitalised at rates ranging from 5.30% to 5.40% (2017: 4.35% to 5.20%) per annum.

The biological assets have been pledged as security for credit facilities granted to certain subsidiaries as disclosed in Note 28.

## 13. PREPAID LEASE PAYMENTS

	2018 RM	The Group 2017 RM
At beginning of year	45,724,238	47,256,429
Transfer from prepayments (Note 19 (j) (i))	1,290,188	-
Amortisation for the financial year	(1,509,763)	(1,530,438)
Effect of movements in exchange rate	(828,909)	(1,753)
At end of year	44,675,754	45,724,238

The above is short-term leasehold land with remaining unexpired lease period of less than 50 years.

The short-term leasehold land of RM40,251,790 (2017: RM42,156,888) is pledged as security for credit facilities granted to the Group as disclosed in Note 28.

# NOTES TO THE FINANCIAL STATEMENTS

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## 14. INVESTMENT PROPERTIES

	2018 RM	The Group 2017 RM
At beginning of year	318,937,000	308,457,000
Transfer from inventories (Note 21)	-	7,492,099
Changes in fair values	(317,000)	2,987,901
At end of year	318,620,000	318,937,000

Included in the above are:

	2018 RM	The Group 2017 RM
<b>Freehold land and buildings - at fair value</b>		
Freehold land	46,200,000	46,200,000
Buildings	55,330,000	55,347,000
	101,530,000	101,547,000
<b>Leasehold land and buildings - at fair value</b>		
Leasehold land with unexpired lease period of more than 50 years	65,800,000	66,600,000
Buildings	151,290,000	150,790,000
	217,090,000	217,390,000
	318,620,000	318,937,000

Fair value measurement disclosures for investment properties are disclosed in Note 42.

Included in the above are land and buildings amounting to RM265,030,000 (2017: RM254,847,000) pledged for credit facilities granted to subsidiaries as disclosed in Note 28.

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## 15. INVESTMENT IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
<b>Unquoted shares - at cost</b>		
Ordinary shares	475,786,968	436,536,245
Redeemable convertible preference shares ("RCPS")	279,500,000	279,500,000
	755,286,968	716,036,245
<b>Accumulated impairment loss</b>		
At beginning and end of year	(2,824,214)	(2,824,214)
<b>Net book value</b>	<b>752,462,754</b>	<b>713,212,031</b>

Details of the subsidiaries are as follows:

<b>Name of subsidiary</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Proportion of ownership interest and voting power held by the Group</b>	
			<b>2018</b>	<b>2017</b>
Achieve Acres Sdn. Bhd.	Malaysia	Property development	85%	85%
Aliran Perkasa Sdn. Bhd.	Malaysia	Property development	100%	100%
Budi Bidara Sdn. Bhd.	Malaysia	Property development	100%	100%
Dapat Jaya Builder Sdn. Bhd.	Malaysia	Building and civil works contracting and project management services	100%	100%
Danau Saujana Sdn. Bhd.	Malaysia	Property development	51%	51%
€@Detik Merdu Sdn. Bhd.	Malaysia	Investment holding	100%	100%
Everland Asia Development Sdn. Bhd.	Malaysia	Property development	100%	100%
Gabung Wajib Sdn. Bhd.	Malaysia	Property development	100%	100%
Gerak Teguh Sdn. Bhd.	Malaysia	Property development	100%	100%
GK Resort Berhad	Malaysia	Investment holding	100%	100%
ªGlobal Landscape Creation Sdn. Bhd.	Malaysia	Dormant	51%	51%
Intelek Kekal (M) Sdn. Bhd.	Malaysia	Management services	100%	100%
Intelek Murni (M) Berhad	Malaysia	Operating a recreational club	100%	100%

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## 15. INVESTMENT IN SUBSIDIARIES (Cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest and voting power held by the Group	
			2018	2017
Intra Tegas (M) Sdn. Bhd.	Malaysia	Property development	100%	100%
Kajang Resources Corporation Sdn. Bhd.	Malaysia	Property development	100%	100%
Kumpulan Indah Bersatu Sdn. Bhd.	Malaysia	Property development	100%	100%
Metro Kajang Construction Sdn. Bhd.	Malaysia	Building and civil works contracting and project and building management services	100%	100%
MKH Credit Corporation Sdn. Bhd.	Malaysia	Money lending, hire-purchase and leasing finance	100%	100%
MKH Food Sdn. Bhd.	Malaysia	Dormant	100%	100%
~ MKH Land (Aust) Pty Ltd.	Australia	Dormant	100%	100%
~MKH IHS Precast Sdn. Bhd.	Malaysia	Dormant	100%	100%
MKH Management Sdn. Bhd.	Malaysia	Management, secretarial services and insurance agency	100%	100%
MKH Building Materials Sdn. Bhd.	Malaysia	Trading of building materials and household related products	100%	100%
MKH Plantation Sdn. Bhd.	Malaysia	Investment holding	100%	100%
Metro Kajang (Oversea) Sdn. Bhd.	Malaysia	Investment holding	100%	100%
Metro K.L. City Sdn. Bhd.	Malaysia	Property development	100%	100%
Metro Nusantara Sdn. Bhd.	Malaysia	Dormant	100%	100%
≈Metro Readymix Sdn. Bhd.	Malaysia	Dormant	100%	-
Metro Tiara (M) Sdn. Bhd.	Malaysia	Property investment	100%	100%
MKH Development Sdn. Bhd.	Malaysia	Dormant	100%	100%

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## 15. INVESTMENT IN SUBSIDIARIES (Cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest and voting power held by the Group	
			2018	2017
MKH Resources Sdn. Bhd.	Malaysia	Management services	100%	100%
Pelangi Binaraya Sdn. Bhd.	Malaysia	Property development	100%	100%
Pelangi Seri Alam Development Sdn. Bhd.	Malaysia	Building and civil works contracting	100%	100%
*Pelangi Semenyih Sdn. Bhd.	Malaysia	Property development	100%	100%
Perkasa Bernas (M) Sdn. Bhd.	Malaysia	Property development	100%	100%
Petik Mekar Sdn. Bhd.	Malaysia	Property development	100%	100%
Serba Sentosa Sdn. Bhd.	Malaysia	Property development	100%	100%
Serentak Maju Corporation Sdn. Bhd.	Malaysia	Property development	100%	100%
€Srijang Indah Sdn. Bhd.	Malaysia	Property investment and management and investment holding	100%	100%
€Srijang Kemajuan Sdn. Bhd.	Malaysia	Property development and property investment	99.99%	99.99%
€Stand Allied Corporation Sdn. Bhd.	Malaysia	Property development	100%	100%
Sumber Lengkap Sdn. Bhd.	Malaysia	Property development	100%	100%
€Suria Villa Sdn. Bhd.	Malaysia	Property development	100%	100%
Vista Haruman Development Sdn. Bhd.	Malaysia	Property development	55%	55%
<b>Subsidiaries of Detik Merdu Sdn. Bhd.</b>				
# @PT Maju Kalimantan Hadapan	Republic of Indonesia	Oil palm plantation	95%	95%
# PT Nusantara Makmur Jaya	Republic of Indonesia	Dormant	100%	100%

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15. INVESTMENT IN SUBSIDIARIES (Cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest and voting power held by the Group	
			2018	2017
<b>Subsidiary of MKH Plantation Sdn. Bhd.</b>				
# @PT Sawit Prima Sakti	Republic of Indonesia	Oil palm plantation	75%	75%
<b>Subsidiaries of Gabung Wajib Sdn. Bhd.</b>				
Amona Metro Development Sdn. Bhd.	Malaysia	Property development	60%	60%
Alif Mesra Sdn. Bhd.	Malaysia	Property development	65%	65%
<b>Subsidiary of GK Resort Berhad</b>				
PNSB-GK Resort Sdn. Bhd.	Malaysia	Property development	70%	70%
<b>Subsidiary of Kumpulan Indah Bersatu Sdn. Bhd.</b>				
Palga Sdn. Bhd.	Malaysia	Investment holding	100%	100%
<b>Subsidiary of Pelangi Seri Alam Development Sdn. Bhd.</b>				
Hillpark Resources Sdn. Bhd.	Malaysia	Property development	100%	100%
<b>Subsidiary of Metro Kajang (Oversea) Sdn. Bhd.</b>				
#Vast Furniture Manufacturing (Kunshan) Co. Ltd.	The People's Republic of China	Furniture manufacturing	100%	100%
<b>Subsidiary of Palga Sdn. Bhd.</b>				
Hiliran Juara Sdn. Bhd.	Malaysia	Property development	100%	100%
<b>Subsidiary of Amona Metro Development Sdn. Bhd.</b>				
Temara Pekeliling Sdn. Bhd.	Malaysia	Property development	50.4%	50.4%
<b>Subsidiaries of Srijang Indah Sdn. Bhd.</b>				
Laju Jaya Sdn. Bhd.	Malaysia	Hotel business and property investment	100%	100%
Maha Usaha Sdn. Bhd.	Malaysia	Property investment and management	100%	100%
Metro Emart Sdn. Bhd.	Malaysia	E-commerce	100%	100%



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## 15. INVESTMENT IN SUBSIDIARIES (Cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest and voting power held by the Group	
			2018	2017
Subsidiary of Kajang Resources Corporation Sdn. Bhd.				
MKH Property Ventures Sdn. Bhd. (Note 30)	Malaysia	Property development	51%	-

# Subsidiaries audited by firms of auditors other than Deloitte PLT.

∞ During the financial year, the Company acquired the subsidiary for a total cash consideration of RM2.

€ During the financial year, the Company subscribed for additional 26,600,000 (2017: Nil) new ordinary shares in Detik Merdu Sdn. Bhd., 1,000,000 (2017: Nil) new ordinary shares in Srijang Indah Sdn. Bhd., 3,495,394 (2017: 940,606) new ordinary shares in Srijang Kemajuan Sdn. Bhd., 11,155,327 (2017: 28,226,373) new ordinary shares in Suria Villa Sdn. Bhd. and Nil (2017: 2,500,000) new ordinary shares in Stand Allied Corporation Sdn. Bhd.

\* During the financial year, the Company received bonus shares of 18,000,000 ordinary shares from Pelangi Semenyih Sdn. Bhd. ("PSSB"). On 28 September 2018, PSSB reduced its share capital from RM23,000,000 to RM2,000,000 via cancellation of 21,000,000 ordinary shares comprising 3,000,000 cash and 18,000,000 non-cash allotment. This has resulted the Company recognised a gain on investment in subsidiary arising from realisation of bonus share of RM18,000,000 in the current year.

~ In the previous financial year, the Company acquired the subsidiaries for a total cash consideration of AUS100 and RM2 respectively.

Ω In the previous financial year, the Company subscribed for 508 new ordinary shares in the subsidiary, representing 51% of the total allotment of 998 new ordinary shares.

@ The investment in shares have been pledged as security for credit facilities granted to subsidiaries as disclosed in Note 28.

! The company is not audited by Deloitte PLT. As the company is dormant, no statutory audit is required under the Australian Corporations Act.

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#### 15. INVESTMENT IN SUBSIDIARIES (Cont'd)

##### Redeemable Convertible Preference Shares

The salient features of the Redeemable Convertible Preference Shares ("RCPS") of the subsidiaries are as follows:

##### (a) Dividends

The holder has the right to be paid, out of such profits of the subsidiary available for distribution determined by the directors at their discretion to be distributed in respect of each financial year or other accounting period of the subsidiary, a dividend at a rate as the Board of Directors shall determine from time to time.

##### (b) Voting rights

The RCPS carry rights to vote at any general meeting of the subsidiary if:

- (i) any resolution is proposed for the winding up of the subsidiary, in which case the holder of the RCPS may only then vote at such general meeting on the election of a chairman, any motion for adjournment and the resolution for winding up; or
- (ii) the meeting is convened for the purpose of considering the reduction of the capital of the subsidiary; or
- (iii) the meeting is relating to any dividend or part thereof unpaid on any RCPS; or
- (iv) the proposition which is submitted to the meeting proposes to abrogate or vary or otherwise directly affects the special rights and privileges attaching to the RCPS; in which event the holder of the RCPS shall have such number of votes for each RCPS registered in his name equivalent to the number of ordinary shares, which solely for the purpose of calculating the number of votes of the holder of the RCPS is entitled to, one RCPS held by the holder of RCPS shall be deemed to be equivalent to one of ordinary share of the subsidiary. The holder of the RCPS shall further be entitled to speak, demand a poll, to move resolutions and participate in the meeting of the shareholders of RCPS of the subsidiary.

##### (c) Redemption

- (i) Subject to the provision of Section 72 of the Companies Act, 2016, the subsidiary shall have the right to redeem all or any of the RCPS at RM100 only per RCPS at anytime after the date of issuance of RCPS; and
- (ii) no RCPS redeemed by the subsidiary shall be capable of reissue.

##### (d) Conversion

The subsidiary is entitled, at any time during the period commencing on the date of issuance of RCPS to convert all or any of the RCPS registered in the name of each holder of the RCPS. Each RCPS is convertible into 100 ordinary shares in the share capital of the subsidiary.

##### (e) Capital

The holder has the right on winding up or other return of capital (other than on the redemption of the RCPS) to receive, in priority to the holders of any other class of shares in the capital of the subsidiary.

## 15. INVESTMENT IN SUBSIDIARIES (Cont'd)

### Non-controlling interests

The subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Amona Metro Development Sdn. Bhd. RM	PT Maju Kalimantan Hadapan RM	Alif Mesra Sdn. Bhd. RM	PT Sawit Prima Sakti RM	Vista Haruman Development Sdn. Bhd. RM	MKH Property Ventures Sdn. Bhd. RM	Individually immaterial subsidiaries RM	Total RM
2018								
NCI percentage of ownership interest and voting power	40%	5%	35%	25%	45%	49%	-	-
Carrying amount of NCI	17,369,994	4,626,319	2,093,415	933,652	9,959,733	19,048,378	1,680,456	55,711,947
Profit/(Loss) allocated to NCI	2,789,128	511,619	(2,372,308)	(1,942,343)	5,800,839	(551,622)	1,397,648	5,632,961
Total comprehensive income/(loss) allocated to NCI	2,789,128	467,148	(2,372,308)	(1,418,525)	5,800,839	(551,622)	1,397,648	6,112,308
	Amona Metro Development Sdn. Bhd. RM	PT Maju Kalimantan Hadapan RM	Alif Mesra Sdn. Bhd. RM	PT Sawit Prima Sakti RM	Vista Haruman Development Sdn. Bhd. RM	Individually immaterial subsidiaries RM	Total RM	
2017								
NCI percentage of ownership interest and voting power	40%	5%	35%	25%	45%	-	-	-
Carrying amount of NCI	18,455,906	1,110,652	4,465,723	2,352,177	4,158,894	282,808	30,826,160	
Profit/(Loss) allocated to NCI	(1,341,925)	740,408	(734,793)	(2,885,027)	1,406,633	(549,018)	(3,363,722)	
Total comprehensive income/(loss) allocated to NCI	(1,341,925)	526,482	(734,793)	(2,846,637)	1,406,633	(549,018)	(3,539,258)	

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## 15. INVESTMENT IN SUBSIDIARIES (Cont'd)

The financial information of the subsidiaries that have material NCI before intra-group elimination are as follows:

	Amona Metro Development Sdn. Bhd. RM	PT Maju Kalimantan Hadapan RM	Alif Mesra Sdn. Bhd. RM	PT Sawit Prima Sakti RM	Vista Haruman Development Sdn. Bhd. RM	MKH Property Ventures Sdn. Bhd. RM
<b>2018</b>						
<b>Assets and liabilities</b>						
Non-current assets	-	313,569,274	3,058,200	68,248,030	278,000	-
Current assets	118,075,418	115,606,921	89,391,157	5,949,146	123,567,676	39,105,841
Non-current liabilities	(45,920,794)	(234,689,999)	(57,102,511)	(56,810,590)	(2,988,200)	-
Current liabilities	(27,139,709)	(101,959,823)	(29,365,658)	(13,651,978)	(98,724,738)	(231,600)
Non-controlling interests	(1,589,934)	-	-	-	-	-
Net assets	43,424,981	92,526,373	5,981,188	3,734,608	22,132,738	38,874,241
<b>Results</b>						
Revenue	55,542,976	263,196,707	-	5,734,677	94,701,403	-
Profit/(Loss) for the financial year	6,972,819	10,232,378	(6,778,022)	(7,769,371)	12,890,754	(1,125,759)
Total comprehensive income	6,972,819	9,370,050	(6,778,022)	(5,674,099)	12,890,754	(1,125,759)
	Amona Metro Development Sdn. Bhd. RM	PT Maju Kalimantan Hadapan RM	Alif Mesra Sdn. Bhd. RM	PT Sawit Prima Sakti RM	Vista Haruman Development Sdn. Bhd. RM	
<b>2017</b>						
<b>Assets and liabilities</b>						
Non-current assets	-	370,195,155	1,069,153	69,628,096	507,300	
Current assets	113,646,445	65,035,623	36,280,368	6,435,830	105,395,649	
Non-current liabilities	(50,297,700)	(272,993,846)	(22,700,000)	(24,447,815)	(48,568,065)	
Current liabilities	(16,588,779)	(140,051,429)	(1,890,311)	(42,207,404)	(48,092,900)	
Non-controlling interests	(620,204)	-	-	-	-	
Net assets	46,139,762	22,185,503	12,759,210	9,408,707	9,241,984	
<b>Results</b>						
Revenue	4,238,000	260,538,361	-	4,046,478	34,269,736	
Profit/(Loss) for the financial year	(3,354,813)	14,802,236	(2,099,409)	(11,540,106)	3,125,850	
Total comprehensive income	(3,354,813)	10,525,424	(2,099,409)	(11,386,549)	3,125,850	

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## 15. INVESTMENT IN SUBSIDIARIES (Cont'd)

	Amona Metro Development Sdn. Bhd. RM	PT Maju Kalimantan Hadapan RM	Alif Mesra Sdn. Bhd. RM	PT Sawit Prima Sakti RM	Vista Haruman Development Sdn. Bhd. RM	MKH Property Ventures Sdn. Bhd. RM
<b>2018</b>						
Cash flows from/(used in):						
Operating activities	9,454,857	8,097,562	(21,014,757)	(4,521,323)	45,729	(23,509,179)
Investing activities	-	13,532,141	-	(5,087,357)	-	-
Financing activities	(9,110,950)	(26,402,202)	21,243,597	10,381,732	(7,011,804)	40,000,000
Net increase/(decrease) in cash and cash equivalents	343,907	(4,772,499)	228,840	773,052	(6,966,075)	16,490,821
Dividends paid to NCI	3,875,040	-	-	-	-	-

	Amona Metro Development Sdn. Bhd. RM	PT Maju Kalimantan Hadapan RM	Alif Mesra Sdn. Bhd. RM	PT Sawit Prima Sakti RM	Vista Haruman Development Sdn. Bhd. RM
<b>2017</b>					
Cash flows from/(used in):					
Operating activities	(5,804,123)	29,121,060	(13,938,388)	(2,492,838)	3,825,939
Investing activities	(4,389,217)	(10,048,369)	-	(2,616,620)	-
Financing activities	-	(16,348,948)	13,700,000	5,330,652	(5,916,659)
Net increase/(decrease) in cash and cash equivalents	(10,193,340)	2,723,743	(238,388)	221,194	(2,090,720)
Dividends paid to NCI	-	-	-	-	-

There are no significant restrictions on the Company's ability to access or use the assets and to settle the liabilities of the Group except for the covenants of the bank term loans taken by PT Maju Kalimantan Hadapan and PT Sawit Prima Sakti, subsidiaries of the Company, which restrict the ability of the subsidiaries to provide advances to other companies within the Group and to declare dividends to its shareholders until full settlement of the loans unless prior written consent is obtained from the lenders. The assets to which such restrictions apply are the cash and cash equivalents of the subsidiaries included in the consolidated financial statements amounting to RM14,337,332 (2017: RM14,679,964).

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## 16. INVESTMENT IN ASSOCIATES

	2018 RM	The Group 2017 RM
<b>At cost:</b>		
Unquoted shares	6,660,000	8,660,000
Share of post-acquisition reserves	7,590,386	5,229,807
	14,250,386	13,889,807

The details of the associates, incorporated in Malaysia, are as follows:

Name of associate	Principal activities	Proportion of ownership interest and voting power held by the Group		Financial year end
		2018	2017	
*Rimbunan Melati Sdn. Bhd. ("RMSB")	Property development	45%	45%	31 December
^Rafflesia School (Kajang) Sdn. Bhd.	Education centre and tenant of the Group's investment property	-	20%	31 December
~Panasonic Homes MKH Malaysia Sdn. Bhd. (formerly known as Panahome MKH Malaysia Sdn. Bhd.)	General construction	49%	49%	31 March

\* Interest held through Dapat Jaya Builder Sdn. Bhd.

^ Interest disposed at cash consideration of RM2,000,000 as disclosed in Note 36 (c).

~ Interest held through Kajang Resources Corporation Sdn. Bhd. ("KRC").

The above associates are accounted for using the equity method in the consolidated financial statements.



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## 16. INVESTMENT IN ASSOCIATES (Cont'd)

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	<b>The Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
<b>RMSB</b>		
Non-current assets	356	1,536
Current assets	24,939,789	26,073,658
Current liabilities	(4,593,153)	(4,522,748)
<b>Net assets</b>	<b>20,346,992</b>	<b>21,552,446</b>
<b>Results</b>		
Revenue	-	-
Loss for the financial year	(1,205,454)	(4,605,268)
Total comprehensive loss	(1,205,454)	(4,605,268)

The reconciliation of net assets to carrying amount of the associates is as follows:

	<b>RMSB RM</b>	<b>Individually immaterial associates RM</b>	<b>Total RM</b>
<b>2018</b>			
Group's share of net assets	9,156,148	5,094,238	14,250,386
Group's share of results in associates	(542,454)	903,033	360,579
Dividend received from associates	-	-	-
<b>2017</b>			
Group's share of net assets	9,698,601	4,191,206	13,889,807
Group's share of results in associates	(2,072,371)	(133,773)	(2,206,144)
Dividend received from associates	-	-	-

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## 17. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group	
	2018 RM	2017 RM
<b>Freehold land</b>		
At beginning of year	510,261,469	538,758,245
Additions	27,467,524	11,410,116
Reclassification from/(to) development cost	(10,637,689)	838,136
Charged out to profit or loss as land donation	(3,608,106)	-
Reclassification from leasehold land	59,121	-
Transfer to property development costs (Note 20)	(59,693,359)	(40,745,028)
At end of year	463,848,960	510,261,469
<b>Leasehold land</b>		
At beginning of year	155,342,976	279,382,137
Additions	-	20,949
Reversal of provision for landowners' entitlement	(734,875)	(1,205,132)
Transfer from/(to) non-current assets held for sale (Note 23)	5,920,445	(7,408,134)
Reclassification to freehold land	(59,121)	-
Transfer to property development costs (Note 20)	(18,277,835)	(115,446,844)
At end of year	142,191,590	155,342,976
<b>Total land</b>	606,040,550	665,604,445
<b>Development costs</b>		
At beginning of year	256,592,153	250,684,144
Additions	21,007,170	65,928,950
Reclassification from/(to) freehold land cost	10,637,689	(838,136)
Charged out to profit or loss as land donation	(5,853,344)	-
Transfer from/(to) non-current assets held for sale (Note 23)	6,601,543	(7,659,714)
Transfer to property development costs (Note 20)	(21,981,744)	(51,523,091)
At end of year	267,003,467	256,592,153
<b>Total land and development costs</b>	873,044,017	922,196,598
<b>Less: Accumulated impairment loss</b>		
At beginning and end of year	(6,284,988)	(6,284,988)
	866,759,029	915,911,610

# NOTES TO THE FINANCIAL STATEMENTS

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## 17. LAND HELD FOR PROPERTY DEVELOPMENT (Cont'd)

Included in land held for property development are:

- (i) freehold land amounting to RM127,530,916 (2017: RM169,678,150) which have been pledged for term loan and revolving credit facilities granted to certain subsidiaries as disclosed in Note 28;
- (ii) leasehold land amounting to RM19,040,009 (2017: RM19,040,009) which have been charged for revolving credit facilities granted to certain subsidiaries as disclosed in Note 28; and
- (iii) freehold and leasehold land amounting to RM284,461,990 (2017: RM257,621,706) represent entitlements of the landowners pursuant to joint land development agreements to undertake property development projects. The titles to the development land will be transferred from landowners to the property purchasers.

## 18. DEFERRED TAX ASSETS AND LIABILITIES

	<b>The Group</b>		<b>The Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>Deferred tax assets</b>				
At beginning of year	33,933,101	29,357,648	-	-
Recognised in profit or loss (Note 8)	15,669,701	4,575,453	-	-
At end of year	49,602,802	33,933,101	-	-
<b>Deferred tax liabilities</b>				
At beginning of year	(59,037,723)	(64,545,058)	(64,326)	(62,926)
Recognised in profit or loss (Note 8)	(5,150,471)	5,268,338	(1,400)	(1,400)
Recognised in other comprehensive income (Note 8)	(636,107)	212,071	(26,500)	-
Effect of movements in exchange rate	700,119	26,926	-	-
At end of year	(64,124,182)	(59,037,723)	(92,226)	(64,326)

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**18. DEFERRED TAX ASSETS AND LIABILITIES (Cont'd)**

Deferred tax assets and liabilities are attributable to the following:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Deferred tax assets</b>				
Deductible temporary differences arising from:				
Property, plant and equipment	(23,398)	703,943	-	-
Land held for property development	1,241,600	903,700	-	-
Property development costs	34,185,400	21,022,200	-	-
Receivables and deposits	21,370	542,128	-	-
Payables and accruals	10,161,430	9,844,330	-	-
Unused tax losses	4,006,800	916,800	-	-
Unabsorbed capital allowance	9,600	-	-	-
	49,602,802	33,933,101	-	-
<b>Deferred tax liabilities</b>				
Taxable temporary differences arising from:				
Property, plant and equipment	(1,999,320)	(1,280,692)	6,104	7,504
Biological assets	(8,008,749)	(7,962,805)	-	-
Investment properties	(3,001,706)	(2,957,506)	-	-
Property development costs	2,468,208	2,220,508	-	-
Inventories	440,400	765,900	-	-
Receivables and deposits	(574,900)	(192,225)	-	-
Provisions	2,026,421	2,863,387	-	-
Payables and accruals	(753,900)	(1,050,200)	-	-
Surplus arising from revaluation of land and buildings	(6,498,755)	(6,835,817)	(98,330)	(71,830)
Fair value adjustment in respect of investment properties	(13,142,593)	(6,656,265)	-	-
Fair value adjustment in respect of subsidiaries acquired	(36,861,388)	(39,431,108)	-	-
Unused tax losses	840,700	1,137,800	-	-
Unabsorbed capital allowances	559,100	341,300	-	-
Unutilised reinvestment allowances	382,300	-	-	-
	(64,124,182)	(59,037,723)	(92,226)	(64,326)

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

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## 19. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-current</b>					
<b>Trade</b>					
Loan receivables	(a)	20,989,966	20,766,372	-	-
Trade receivables	(d)	-	855,493	-	-
<b>Non-trade</b>					
Amount due from subsidiaries	(f)	-	-	336,774,078	296,690,339
Less: Allowance for impairment loss		-	-	(178,000)	(178,000)
		-	-	336,596,078	296,512,339
Prepayments	(b)	9,333,363	8,152,285	-	-
Other receivables	(c)	1,031,666	1,169,973	-	-
		31,354,995	30,944,123	336,596,078	296,512,339
<b>Current</b>					
<b>Trade</b>					
Trade receivables		189,976,534	162,995,590	-	-
Less: Allowance for impairment loss		(825,130)	(915,545)	-	-
	(d)	189,151,404	162,080,045	-	-
Finance lease receivables	(e)	-	890	-	-
Loan receivables	(a)	2,609,781	266,307	-	-
		191,761,185	162,347,242	-	-
<b>Current</b>					
<b>Non-trade</b>					
Amount due from subsidiaries	(f)	-	-	25,838,363	4,344,703
Other receivables	(g)	29,438,737	22,063,013	37,630	44,710
Less: Allowance for impairment loss		(518,564)	(550,764)	(36,530)	(43,730)
		28,920,173	21,512,249	1,100	980
Deposits for development land acquisition		100,000	100,000	-	-
Joint venture deposits for land development	(h)	1,344,474	16,104,969	-	-
Other deposits	(i)	18,247,150	17,922,259	30,000	33,000
Prepayments	(j)	23,487,707	48,779,100	-	-
		263,860,689	266,765,819	25,869,463	4,378,683

# NOTES TO THE FINANCIAL STATEMENTS

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## 19. RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

### (a) Loan receivables

	The Group	
	2018 RM	2017 RM
Term loan (business)	23,599,747	21,028,947
Other loan	-	3,732
	23,599,747	21,032,679

The maturity profile of loan receivables, net of allowance for impairment loss, is as follows:

	Term loan RM	Other loan RM	Total RM
<b>2018</b>			
<b>Fixed rate instruments</b>			
Receivable within 1 year	2,609,781	-	2,609,781
Receivable after 1 year but not later than 2 years	3,351,872	-	3,351,872
Receivable after 2 years but not later than 3 years	17,088,521	-	17,088,521
Receivable after 3 years but not later than 4 years	549,573	-	549,573
	23,599,747	-	23,599,747
<b>2017</b>			
<b>Fixed rate instruments</b>			
Receivable within 1 year	262,575	3,732	266,307
Receivable after 1 year but not later than 2 years	5,435,192	-	5,435,192
Receivable after 2 years but not later than 3 years	158,180	-	158,180
Receivable after 3 years but not later than 4 years	15,173,000	-	15,173,000
	21,028,947	3,732	21,032,679

The loan receivables bear effective interest at rates ranging from 5.0% to 12.0% (2017: 5.0% to 12.0%) per annum.

- (b) This is in respect of property infrastructure costs incurred on a plot of land leased from RAC for a period of 60 years for future construction of a retail mall.
- (c) This is in respect of an amount due from Plasma Farmers Cooperative in Indonesia. In accordance with the Indonesian Government policy, a subsidiary assumes the responsibilities to develop plantation for small land holders (known as Plasma Farmers) in addition to its own plantation. The subsidiary is also required to train and supervise the Plasma Farmers and purchase the fresh fruit bunches from the farmers at prices determined by the Government. The amount is unsecured, interest-free, to be settled in cash not within one year.



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## 19. RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

### (d) Trade receivables

- (i) The Group's normal trade credit term ranges from 7 to 90 days (2017: 7 to 90 days).
- (ii) The ageing analysis of the Group's trade receivables is as follows:

	The Group 2018 RM	2017 RM
Neither past due nor impaired	166,700,611	147,235,616
1 to 30 days past due not impaired	9,371,488	9,649,393
31 to 60 days past due not impaired	4,396,999	3,224,736
61 to 90 days past due not impaired	1,651,926	775,930
More than 90 days past due not impaired	7,030,380	2,049,863
Past due and impaired	22,450,793 825,130	15,699,922 915,545
	189,976,534	163,851,083

### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired comprise property purchasers mostly are with end financing facilities from reputable end-financiers whilst the others are creditworthy customers with good payment records and mostly are regular customers that have been transacting with the Group.

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

### Receivables that are past due but not impaired

Trade receivables of the Group amounting to RM22,450,793 (2017: RM15,699,922) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

### 19. RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

#### (d) Trade receivables (Cont'd)

(ii) The ageing analysis of the Group's trade receivables is as follows: (Cont'd)

#### Receivables that are impaired

The movement of allowance accounts used to record the impairment is as follows:

	The Group	
	2018 RM	2017 RM
At beginning of year	915,545	933,700
Addition	77,374	59,906
No longer required	(25,662)	(64,942)
Written off	(142,127)	(13,119)
At end of year	825,130	915,545

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payment. These receivables are not secured by any collateral or credit enhancements.

(iii) Included in trade receivables of the Group are:

- (a) retention sums amounting to RM61,444,985 (2017: RM71,415,710) held by stakeholders;
- (b) amount of RM149,495 (2017: RMNil) due from key management personnel of the Group in respect of purchase of development properties of the Group which include retention sum of RM43,525 (2017: RMNil) held by stakeholders;
- (c) amount of RMNil (2017: RM387,504) due from a corporate shareholder of a subsidiary in respect of purchase of development properties of the said subsidiary;
- (d) amount of RM6,200 (2017: RMNil) due from a corporate in which a director of the Company has substantial interest in respect of purchase of development properties of the Group which include retention sum of RM6,200 (2017: RMNil) held by stakeholders;
- (e) amount of RM10,075 (2017: RM20,150) due from a director of the Company in respect of purchase of development properties of the Group which represent retention sum of RM10,075 (2017: RM20,150) held by stakeholders;
- (f) amount of RM256,080 (2017: RM73,725) due from a person connected to certain directors of the Company in respect of purchase of development properties of the Group which include retention sum of RM79,550 (2017: RM73,725) held by stakeholders; and
- (g) amount of RM6,009,426 (2017: RM2,160,395) due from an associate.

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## 19. RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

### (e) Finance lease receivables

	The Group 2018 RM	2017 RM
<b>Receivable within 1 year</b>		
Gross investment in finance lease receivables	1,109,195	1,109,395
Less: Unearned finance income	(88,856)	(88,856)
Present value of minimum lease payment receivables	1,020,339	1,020,539
Less: Allowance for impairment loss		
At beginning of year	(1,019,649)	(1,019,749)
Additions	(890)	-
No longer required	200	100
At end of year	(1,020,339)	(1,019,649)
	-	890

The finance lease receivables bear effective interest at 8.15% (2017: 8.15%) per annum.

The maturity profile of finance lease receivables is as follows:

	The Group 2018 RM	2017 RM
<b>Fixed rate instrument</b>		
Receivable within 1 year	-	890

### (f) Included in amount due from subsidiaries are unsecured amounts of:

- (i) RM336,596,078 (2017: RM296,512,339) which bears interest at 5.99% (2017: 5.85%) per annum and is not expected to be settled within the next 12 months; and
- (ii) RM25,838,363 (2017: RM4,344,703) which is interest-free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

### 19. RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

(g) Included in other receivables of the Group are:

- (i) an amount of RM8,752,676 (2017: RM3,621,392) being indirect taxes paid in advance to tax authorities;
- (ii) an amount of RM4,825,917 (2017: RM4,198,434) being amount due from Plasma Farmers Cooperative in Indonesia; and

The movement of allowance account used to record the impairment of other receivables is as follows:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At beginning of year	550,764	607,247	43,730	47,930
Additions	-	2,000	-	-
No longer required	(32,200)	(58,483)	(7,200)	(4,200)
At end of year	518,564	550,764	36,530	43,730

The impaired other receivables at the reporting date relate to debtors that have defaulted on payment. These receivables are not secured by any collateral or credit enhancements.

- (h) The joint venture deposits are paid to landowners in respect of Joint Venture Agreements ("Agreements") whereby the Group is responsible to implement and undertake the overall development projects on the land owned by the third parties upon fulfilment of the terms and conditions as stipulated in the Agreements. During the financial year, the Group reclassified joint venture deposits amounted to RM15,265,716 to property development costs upon fulfilment of terms and conditions stipulated in the Agreements as disclosed in Note 20.
- (i) Included in other deposits of the Group is RM13,759,524 (2017: RM13,440,271) paid to the relevant authorities for property development projects.
- (j) Included in prepayments of the Group are:
  - (i) RMNil (2017: RM1,290,188) paid for the acquisition of land in Indonesia. During the financial year, the Group reclassified prepayments amounted to RM1,290,188 to prepaid lease payments as disclosed in Note 13;
  - (ii) RM5,668,010 (2017: RM28,612,485) preliminary costs incurred in respect of future property development projects. During the financial year, the Group reclassified certain prepayments pertaining to joint venture projects amounted to RM28,597,733 to property development costs upon fulfilment of terms and conditions as stipulated in the agreement as disclosed in Note 20; and
  - (iii) an amount of RM11,349,748 (2017: RM12,669,284) paid to Trustee accounts for joint development of infrastructure projects with other developers.

# NOTES TO THE FINANCIAL STATEMENTS

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## 20. PROPERTY DEVELOPMENT COSTS

	The Group	
	2018 RM	2017 RM
<b>At cost:</b>		
<b>Freehold land</b>		
At beginning of year	110,620,937	129,253,132
Additions	69,675,547	2,437,435
Transfer from land held for property development (Note 17)	59,693,359	40,745,028
Transfer from joint venture deposits (Note 19 (h))	15,265,716	-
Transfer from prepayments (Note 19 (j) (ii))	22,970,197	-
Transfer to inventories	(14,288,605)	(19,496,482)
Adjustment on completion of projects	(59,709,516)	(42,318,176)
At end of year	204,227,635	110,620,937
<b>Leasehold land</b>		
At beginning of year	228,498,496	179,537,672
Additions	119,886	476,488
Reversal of provision for landowners' entitlement	(2,154,229)	(744,462)
Transfer from land held for property development (Note 17)	18,277,835	115,446,844
Transfer to inventories	(9,341,879)	(20,992,035)
Adjustment on completion of projects	(49,594,837)	(45,226,011)
At end of year	185,805,272	228,498,496
<b>Development costs</b>		
At beginning of year	531,191,372	496,365,587
Additions	398,290,689	405,275,857
Transfer from prepayments (Note 19 (j) (ii))	5,627,536	-
Transfer from land held for property development (Note 17)	21,981,744	51,523,091
Transfer to inventories	(162,543,802)	(82,018,190)
Adjustment on completion of projects	(420,522,814)	(339,954,973)
At end of year	374,024,725	531,191,372
<b>Total land and development costs</b>	<b>764,057,632</b>	<b>870,310,805</b>
<b>Less: Costs recognised as an expense in profit or loss</b>		
At beginning of year	395,341,528	420,157,582
Additions	431,829,074	402,683,106
Adjustment on completion of projects	(529,827,167)	(427,499,160)
At end of year	297,343,435	395,341,528
	<b>466,714,197</b>	<b>474,969,277</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 20. PROPERTY DEVELOPMENT COSTS (Cont'd)

Included in the above are:

- (i) interest on borrowing capitalised for the financial year amounting to RM6,190,808 (2017: RM6,836,527);
- (ii) titles of freehold land amounting to RM8,644,397 (2017: RM8,734,375) which have been pledged with a financial institution for term loan facility granted to certain subsidiaries as disclosed in Note 28;
- (iii) titles of leasehold land amounting to RM62,643,600 (2017: RM116,905,077) which have been pledged with a financial institution for term loan facility granted to certain subsidiaries as disclosed in Note 28; and
- (iv) freehold and leasehold land amounting to RM254,221,979 (2017: RM181,145,276) represent entitlements of the landowners pursuant to joint venture and joint land development agreements to undertake property development projects. The titles to the development land will be transferred from landowners to the property purchasers.

## 21. INVENTORIES

	The Group	
	2018 RM	2017 RM
<b>At cost:</b>		
Raw materials	461,498	512,371
Work-in-progress	260,665	639,863
Finished goods	1,651,881	1,424,203
Food and beverages	30,762	43,047
Plantation consumables	6,324,812	6,231,775
Fertilizers	9,226,966	1,508,120
Crude palm oil and palm kernel	15,905,043	7,455,514
Completed development properties	227,673,203	134,970,018
	261,534,830	152,784,911
<b>At net realisable value:</b>		
Completed development properties	12,050,000	400,000
	273,584,830	153,184,911

During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM279,412,883 (2017: RM270,014,521).

In the previous financial year, the Group transferred completed inventories amounted to RM7,492,099 to investment properties as disclosed in Note 14 due to the change in management intention.

Included in inventories of the Group is an amount of RM37,629,751 (2017: RM28,702,454) being entitlements of the landowner pursuant to Joint Venture Agreements to undertake a property development projects.



# NOTES TO THE FINANCIAL STATEMENTS

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## 22. CASH, BANK BALANCES, TERM DEPOSITS AND FIXED INCOME FUNDS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deposits with licensed banks	12,611,412	8,830,105	-	-
Cash and bank balances	106,698,370	132,260,508	3,941,479	12,145,700
Cash held under housing development accounts	78,206,979	91,347,222	-	-
Fixed income funds:				
Redeemable at call	1,476,808	10,378,499	-	-
Redeemable upon 1 day notice	17,953,612	11,183,738	-	-
Redeemable upon 5 days notice	10,779,035	10,609,703	-	-
	227,726,216	264,609,775	3,941,479	12,145,700

The deposits bear effective interest at rates ranging from 1.56% to 5.05% (2017: 1.65% to 3.67%) per annum with maturity period ranging from 15 days to 365 days (2017: 15 days to 365 days).

Fixed income funds represent investment in highly liquid money market, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash held under housing development accounts represent amounts placed in Housing Development Accounts ("HDA") in accordance with Section 7(A) of the Housing Development (Control and Licensing) Act, 1966 (Amended 2002). These HDA accounts, which consist of monies received from purchasers, are for the payment of property development costs incurred. The surplus monies in these accounts, if any, will be released to the Group in accordance with the provisions of the Act.

The non-short term and highly liquid fixed deposits of RM10,105,200 (2017: RM4,312,380) included in deposit with licensed banks have maturity period of more than 3 months.

Cash and cash equivalents held by the Group which are not freely available for general use are as follows:

- (i) deposits amounting to RM2,000,000 (2017: RM2,000,000) pledged for bank guarantee facilities granted to a subsidiary;
- (ii) bank balances of RM16,142,455 (2017: RM16,480,238) pledged as restricted fund held as security for the credit facilities as disclosed in Note 28; and
- (iii) deposit and bank balances of RM27,795 (2017: RM24,377) held under sinking fund account for the recreational club.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

## 23. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2018 RM	The Group 2017 RM
<b>At cost:</b>		
At beginning of year	22,549,538	7,481,690
Transfer (to)/from land held for property development (Note 17)	(12,521,988)	15,067,848
Disposals	(10,027,550)	-
At end of year	-	22,549,538

This was in respect of the sales and purchase agreement entered into between a subsidiary and third parties for disposal of leasehold land held under land held for property development:

- (i) on 6 January 2016 for the disposal of a piece of leasehold land located at Hillpark Shah Alam for a total cash consideration of RM9,500,000;
- (ii) on 16 January 2017 for the disposal of a piece of leasehold land located at Hillpark Shah Alam for a total cash consideration of RM7,587,739;
- (iii) on 16 May 2017 for the disposal of a piece of leasehold land located at Hillpark Shah Alam for a total cash consideration of RM11,273,000; and
- (iv) on 9 February 2018 for the disposal of a piece of leasehold land located at Hillpark Shah Alam for a total cash consideration of RM2,247,696.

The sales and purchase agreements entered on 16 January 2017 and 16 May 2017 respectively have been revoked during the financial year, and the land cost has been transferred to land held for property development.

The disposals of leasehold land located at Hillpark Shah Alam as mentioned in (i) and (iv) above were completed during the financial year.

## 24. SHARE CAPITAL

	The Group and The Company			
	Number of shares		Amount	
	Share capital (issued and fully paid-up)	Treasury shares	Share capital (issued and fully paid-up) RM	Treasury shares RM
<b>2018</b>				
At beginning of year	562,901,922	-	613,315,284	-
Issuance of shares pursuant to warrants	23,646,246	-	41,143,371	-
Share buy back	-	(4,038,600)	-	(5,437,937)
At end of year	586,548,168	(4,038,600)	654,458,655	(5,437,937)

# NOTES TO THE FINANCIAL STATEMENTS

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## 24. SHARE CAPITAL

	The Group and The Company			
	Share capital (issued and fully paid-up)	Treasury shares	Share capital (issued and fully paid-up) RM	Treasury shares RM
<b>2017</b>				
At beginning of year	419,443,984	-	419,443,984	-
Issuance of shares pursuant to:				
- rights issue	42,625,187	-	80,561,603	-
- bonus issue	85,250,374	-	85,250,374	-
- warrants	15,582,377	-	28,978,631	-
Transfer from share premium	-	-	785,179	-
Share issue expenses	-	-	(1,704,487)	-
At end of year	562,901,922	-	613,315,284	-

The Company's authorised and issued and fully paid-up share capital in 2016 comprises ordinary shares with a par value of RM1 each. The new Companies Act, 2016 (the "Act"), which came into effect on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

Consequently, balances within the share premium account have been transferred to the share capital account pursuant to the transitional provisions set out in Section 618 (2) of the new Act. Notwithstanding this provision, the Company has elected to utilise its share premium account of RM785,179 for purposes stipulated in Section 618 (3) of the new Act for a transitional period of 24 months from 31 January 2017.

### (a) Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the issued and paid-up share capital of the Company increased from RM613,315,284 to RM654,458,655 by way of exercise of 23,646,246 warrants for 23,646,246 ordinary shares at a subscription price of RM1.55 per share.

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

### (b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired 4,038,600 (2017: Nil) shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares including transaction costs was RM5,437,937 (2017: RMNil) and this was presented as a component within shareholders' equity.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

## 25. RESERVES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-distributable</b>				
Translation reserve	(6,240,848)	(3,428,618)	-	-
Revaluation reserve	23,402,037	23,533,537	620,407	646,907
Warrant reserve	-	4,761,173	-	4,761,173
	17,161,189	24,866,092	620,407	5,408,080
<b>Distributable</b>				
Retained earnings	880,819,793	838,813,182	374,512,623	345,514,351
	897,980,982	863,679,274	375,133,030	350,922,431

### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as the foreign currency 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 or another currency.

### Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.

### Warrant reserve

On 31 December 2012, the Company allotted and issued 29,104,378 free warrants constituted under the deed poll dated 23 November 2012.

The salient features of the warrants are as follows:

- (i) entitles its registered holders to subscribe for one (1) new ordinary share at the exercise price during the exercise period;
- (ii) the exercise price is RM2.26 per share subject to adjustments in accordance with the provisions of the deed poll executed; and
- (iii) the warrants may be exercised at any time for a period of five years from 31 December 2012 to 30 December 2017 ("exercise period"). Warrants that are not exercised during the exercise period will thereafter lapse and become void.

The exercise price was adjusted to RM1.89 and RM1.55 per share pursuant to the bonus issue on 20 May 2014 and rights with bonus issue on 1 June 2017 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

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## 25. RESERVES (Cont'd)

### Warrant reserve (Cont'd)

The movement in the Company's warrants to subscribe for new ordinary shares during the financial year is as follows:

	At 1 October 2017	Number of warrants		At 30 September 2018
		Exercised	Expired	
Number of warrants	25,095,779	(23,646,246)	(1,449,533)	-

The weighted average quoted price of shares of the Company at the time when the warrants were exercised was RM1.78 (2017: RM2.63).

The warrants expired on 29 December 2017.

### Retained earnings

Distributable reserves are those available for distribution as dividends. The entire retained earnings of the Company are available to be distributed as single tier dividends to the shareholders of the Company.

## 26. PROVISIONS

	Post- employment benefit obligations RM	Retirement gratuity RM	Total RM
<b>The Group</b>			
<b>2018</b>			
At beginning of year	11,453,546	20,183,386	31,636,932
Provision during the financial year	1,497,090	-	1,497,090
Incurred during the financial year	(1,031,517)	-	(1,031,517)
Remeasurement gain on defined benefit plans:			
Actuarial gain arising from experience adjustments	(2,200,700)	-	(2,200,700)
Effect of movements in exchange rate	(985,526)	-	(985,526)
At end of year	8,732,893	20,183,386	28,916,279
<b>2017</b>			
At beginning of year	10,352,428	19,595,520	29,947,948
Provision during the financial year	832,705	587,866	1,420,571
Incurred during the financial year	(352,618)	-	(352,618)
Remeasurement loss on defined benefit plans:			
Actuarial loss arising from experience adjustments	848,285	-	848,285
Effect of movements in exchange rate	(227,254)	-	(227,254)
At end of year	11,453,546	20,183,386	31,636,932

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

## 26. PROVISIONS (Cont'd)

The above provisions are classified as follows:

	Post-employment benefit obligations RM	Retirement gratuity RM	Total RM
<b>The Group</b>			
<b>2018</b>			
Non-current	8,732,893	-	8,732,893
Current	-	20,183,386	20,183,386
	8,732,893	20,183,386	28,916,279
<b>2017</b>			
Non-current	11,453,546	-	11,453,546
Current	-	20,183,386	20,183,386
	11,453,546	20,183,386	31,636,932

### (a) Post-employment benefit obligations

Two subsidiaries of the Company in Indonesia operate unfunded defined benefit schemes, as required under the Labour Law of the Republic of Indonesia. The defined benefit schemes expose the Group to actuarial risks, such as longevity risk and interest rate risk.

The amount recognised in the consolidated statement of financial position is determined as follows:

	<b>The Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Present value of obligations	8,732,893	11,453,546

Movement in the present value of unfunded defined benefit scheme in the current financial year are as follows:

	<b>The Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
At beginning of year	11,453,546	10,352,428
Amounts recognised in profit or loss (Note 6):		
Current service costs	4,283,727	5,549,694
Interest on obligation	775,264	643,133
Past service cost	(3,561,901)	(5,360,122)
	1,497,090	832,705



# NOTES TO THE FINANCIAL STATEMENTS

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## 26. PROVISIONS (Cont'd)

### (a) Post-employment benefit obligations (Cont'd)

	The Group	
	2018 RM	2017 RM
Amounts recognised in other comprehensive income:		
Remeasurement (gain)/loss	(2,200,700)	848,285
Benefit paid	(1,031,517)	(352,618)
Effect of movements in exchange rates	(985,526)	(227,254)
At end of year	8,732,893	11,453,546

The defined benefit obligation expenses were determined based on actuarial valuations prepared by an independent actuary using the projected unit credit method. Principal assumptions at reporting date are as follows:

	The Group	
	2018	2017
Discount rate	9.25% - 9.75%	7.5%
Future salary increase	10%	10%
Mortality rate	100%TMI3	100%TMI3
Resignation rate	4% - 9% until age of 30 - 32 then decrease linearly to 0% at age of 56	4% - 9% until age of 30 - 32 then decrease linearly to 0% at age of 55
Disability	5% of mortality rate	5% of mortality rate
Normal retirement age	56	55

### Sensitivity analysis

The sensitivity analysis below has been determined based on reasonably possible changes in the discount rate and future salary increase occurring at the reporting date, while holding all other assumptions constant.

	The Group Increase/(Decrease) in profit	
	2018 RM	2017 RM
Discount rate increase by 1%	829,352	1,260,891
Discount rate decrease by 1%	(1,159,590)	(1,507,646)
Future salary increase by 1%	(1,153,089)	(1,472,743)
Future salary decrease by 1%	841,389	1,258,670

The sensitivity analysis presented above has been determined using deterministic method and may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

# NOTES TO THE FINANCIAL STATEMENTS

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## 26. PROVISIONS (Cont'd)

### (a) Post-employment benefit obligations (Cont'd)

At 30 September 2018, the weighted-average duration of the defined benefit obligation was 18.28 to 22.18 years (2017: 17.95 to 21.90 years).

The benefits, which reflect the expected future services, as appropriate are expected to be paid as follows:

	The Group	
	2018 RM	2017 RM
Within 1 year	469,189	577,278
Between 2 and 5 years	3,984,844	4,440,283
After 5 years	11,852,637	15,087,817
	16,306,670	20,105,378

### (b) Retirement gratuity

Provision for retirement gratuity are for certain eligible directors. The accounting policy in respect of the retirement gratuity scheme is disclosed in Note 3(f)(iii).

## 27. PAYABLES AND ACCRUALS

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-current</b>					
Landowners' entitlement	(a)	273,233,000	326,856,547	-	-
Retention sum payable to subcontractors after one year		16,073,920	19,655,167	-	-
		289,306,920	346,511,714	-	-
<b>Current</b>					
<b>Trade</b>					
Trade payables	(b)	279,167,694	225,103,708	-	-
Landowners' entitlement	(a)	144,978,155	108,362,901	-	-
Retention sum payable to subcontractors within one year		44,171,905	52,638,403	-	-

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## 27. PAYABLES AND ACCRUALS (Cont'd)

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-trade</b>					
Amount due to subsidiaries	(c)	-	-	8,160	12,720
Deferred revenue	(d)	9,158,189	16,308,921	-	-
Other payables		27,955,538	25,227,206	65,800	341,247
Deposits received	(e)	14,857,889	16,752,330	-	-
Advances from customers	(f)	7,353,983	5,997,888	-	-
Accruals	(g)	45,660,079	47,109,342	465,976	990,767
		573,303,432	497,500,699	539,936	1,344,734

(a) These are in respect of payable for landowners' entitlement under deferred payment term pursuant to the joint land development agreements and joint venture agreements entered into with the landowners. Pursuant to the said agreements, the entitlements are determined based on agreed percentage on the total development units and/or total gross development value net of trade discount, where applicable, of the property development projects. These deferred payables are measured at amortised cost at imputed interest rates ranging from 5.81% to 10.00% (2017: 5.61% to 10.00%) per annum.

(b) The normal trade credit term granted to the Group ranges from 7 to 90 days (2017: 7 to 90 days) unless as specified in the agreements.

Included in trade payables is amount due to an associate of the Group of RM6,587,169 (2017: RM2,668,949) which include retention sum of RM5,675,820 (2017: RM2,668,949).

(c) Amount due to subsidiaries of the Company is unsecured, interest-free and is repayable on demand.

(d) The deferred revenue arises in respect of the progress billings issued in relation to the disposal of inventories and is expected to be recognised within 12 months.

(e) Included in deposits received of the Group are:

(i) an amount of RM8,930,313 (2017: RM8,894,376) being rental, utilities and other deposits received from tenants;

(ii) an amount of RM3,564,929 (2017: RM2,616,463) being downpayment from purchasers of development properties; and

(iii) In the previous financial year, being downpayment received from purchasers of RM2,957,711 for disposal 3 parcels of leasehold land as disclosed in Note 23.

(f) This represents downpayment from purchasers of crude palm oil and palm kernel.

(g) Included in accruals of the Group are accrued legal and professional fees and agents commission totalling RM33,502,220 (2017: RM35,179,447) in respect of on-going property development projects.

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## 28. LOANS AND BORROWINGS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Non-current</b>				
Term loans				
Secured:				
RM	54,536,695	108,043,061	-	-
United States Dollar	137,183,569	193,813,565	-	-
Revolving credits				
Secured:				
RM	157,815,750	141,130,907	-	-
Finance lease liabilities				
RM	955,169	1,151,820	-	-
	350,491,183	444,139,353	-	-
<b>Current</b>				
Term loans				
Secured:				
RM	39,028,182	55,833,339	-	-
United States Dollar	32,812,595	28,504,262	-	-
Unsecured:				
RM	-	3,000,000	-	-
Bridging loan				
Secured:				
RM	-	6,306,911	-	-
Revolving credits				
Secured:				
RM	100,453,407	117,476,301	-	-
United States Dollar	44,050,466	53,438,636	-	-
Unsecured:				
RM	92,100,000	60,500,000	92,100,000	60,500,000
United States Dollar	8,300,524	-	-	-
Bank overdrafts				
Secured:				
RM	3,187,603	1,987,551	-	-
Unsecured:				
RM	1,601,813	508,170	1,601,813	-
Finance lease liabilities				
RM	730,903	822,294	-	-
	322,265,493	328,377,464	93,701,813	60,500,000
	672,756,676	772,516,817	93,701,813	60,500,000

## 28. LOANS AND BORROWINGS (Cont'd)

The maturity profile of loans and borrowings of the Group is as follows:

The Group 2018	Carrying amount RM	Within 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	4-5 years RM	More than 5 years RM
<b>Fixed rate instrument</b>							
Finance lease liabilities RM	1,686,072	730,903	485,198	218,967	144,837	106,167	-
<b>Floating rate instruments</b>							
Term loans							
Secured:							
RM	93,564,877	39,028,182	36,420,532	12,967,852	1,539,227	851,283	2,757,801
United States Dollar	169,996,164	32,812,595	44,545,823	44,628,828	39,731,519	8,277,399	-
Revolving credits							
Secured:							
RM	258,269,157	100,453,407	32,281,750	45,090,000	36,000,000	5,000,000	39,444,000
United States Dollar	44,050,466	44,050,466	-	-	-	-	-
Unsecured:							
RM	92,100,000	92,100,000	-	-	-	-	-
United States Dollar	8,300,524	8,300,524	-	-	-	-	-
Bank overdrafts							
Secured:							
RM	3,187,603	3,187,603	-	-	-	-	-
Unsecured:							
RM	1,601,813	1,601,813	-	-	-	-	-
	671,070,604	321,534,590	113,248,105	102,686,680	77,270,746	14,128,682	42,201,801
	672,756,676	322,265,493	113,733,303	102,905,647	77,415,583	14,234,849	42,201,801

## 28. LOANS AND BORROWINGS (Cont'd)

The Group 2017	Carrying amount RM	Within 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	4-5 years RM	More than 5 years RM
<b>Fixed rate instrument</b>							
Finance lease liabilities RM	1,974,114	822,294	675,813	381,818	87,304	6,885	-
<b>Floating rate instruments</b>							
Term loans							
Secured:							
RM	163,876,400	55,833,339	50,371,199	22,863,163	12,839,227	12,839,227	9,130,245
United States Dollar	222,317,827	28,504,262	53,797,516	45,387,965	45,539,940	40,610,389	8,477,755
Unsecured:							
RM	3,000,000	3,000,000	-	-	-	-	-
Bridging loan							
Secured:							
RM	6,306,911	6,306,911	-	-	-	-	-
Revolving credits							
Secured:							
RM	258,607,208	117,476,301	34,766,227	22,881,750	22,000,000	61,482,930	-
United States Dollar	53,438,636	53,438,636	-	-	-	-	-
Unsecured:							
RM	60,500,000	60,500,000	-	-	-	-	-
Bank overdrafts							
Secured:							
RM	1,987,551	1,987,551	-	-	-	-	-
Unsecured:							
RM	508,170	508,170	-	-	-	-	-
	770,542,703	327,555,170	138,934,942	91,132,878	80,379,167	114,932,546	17,608,000
	772,516,817	328,377,464	139,610,755	91,514,696	80,466,471	114,939,431	17,608,000



## 28. LOANS AND BORROWINGS (Cont'd)

The Company	Carrying amount RM	Within 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	4-5 years RM	More than 5 years RM
<b>2018</b>							
<b>Floating rate instruments</b>							
Revolving credits							
Unsecured:							
RM	92,100,000	92,100,000	-	-	-	-	-
Bank overdraft							
Unsecured:							
RM	1,601,813	1,601,813	-	-	-	-	-
	93,701,813	93,701,813	-	-	-	-	-
<b>2017</b>							
<b>Floating rate instruments</b>							
Revolving credits							
Unsecured:							
RM	60,500,000	60,500,000	-	-	-	-	-

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## 28. LOANS AND BORROWINGS (Cont'd)

### Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018			2017		
	Future minimum lease payments RM	Finance charges RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Finance charges RM	Present value of minimum lease payments RM
<b>The Group</b>						
Less than one year	792,448	61,545	730,903	895,491	73,197	822,294
Between one and five years	1,014,223	59,054	955,169	1,203,428	51,608	1,151,820
	1,806,671	120,599	1,686,072	2,098,919	124,805	1,974,114

The finance lease liabilities bear effective interest at rates ranging from 0.88% to 4.88% (2017: 0.88% to 6.71%) per annum.

The term loans, bridging loan and revolving credits bear effective interest at rates ranging from 4.47% to 5.87% (2017: 3.90% to 7.20%) per annum.

The bank overdrafts bear effective interest at rates ranging from 7.32% to 7.90% (2017: 7.60% to 7.65%) per annum.

**Secured revolving credit I** of RM49,444,000 (2017: RM49,444,000) is part of the total revolving credit of RM50,000,000 which is repayable by way of redemption upon the full settlement of secured revolving credit II. **Secured revolving credit II** of RM78,038,930 (2017: RM100,038,930) is part of the total revolving credit of RM110,000,000 which is repayable by 10 equal half yearly principal instalments of RM11,000,000 each over 8 years commencing on the first day of the 42nd month following the date of first drawdown or payment by way of redemption whichever is earlier. **Secured revolving credit III** of RM26,690,000 (2017: RMNil) is part of the total revolving credit of RM90,000,000 which is repayable by 18 equal quarterly principal instalments of RM5,000,000 each over 4 1/2 year commencing on the first day of the 31st month following the date of first drawdown or payment by way of redemption whichever is earlier. The revolving credits are secured and supported as follows:

- (a) legal charge over the freehold land for property development of a subsidiary;
- (b) corporate guarantee of the Company;
- (c) general debenture over a subsidiary; and
- (d) 3rd party specific debenture by way of fixed and floating charge over the land held for property development of subsidiary.

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### 28. LOANS AND BORROWINGS (Cont'd)

**Term loan I** of RM7,724,980 (2017: RM15,044,980) is part of total term loan of RM22,000,000 which is repayable by 11 quarterly principal instalments of RM1,830,000 each and final payment of RM1,870,000 or any balance outstanding with the first repayment to commence on 39th month from the date of first reimbursement or payment by way of redemption whichever is earlier. **Term loan II** of RM22,033,429 (2017: RM35,393,429) is part of the total term loan of RM40,000,000 which is repayable by 11 equal quarterly principal instalments of RM3,340,000 each and final payment of RM3,260,000 or any balance outstanding with the first repayment to commence on 39th month from the day of first reimbursement or payment by way of redemption whichever is earlier. The secured term loans are secured and supported as follows:

- (a) specific debenture over the project land of a subsidiary;
- (b) corporate guarantee of the Company; and
- (c) legal charge over freehold land held for property development of a subsidiary.

**Term loan III** of RM30,178,625 (2017: RM50,000,000) is repayable by 16 quarterly principal instalments of RM3,125,000 each commencing April 2019 and is secured and supported as follows:

- (a) legal charge over leasehold land held for property development of a subsidiary;
- (b) joint and several guarantee of the directors of a subsidiary; and
- (c) corporate guarantee of the Company.

**Term loan IV** of RM7,898,025 (2017: RMNil) is part of total term loan of RM27,500,000 and is repayable by 8 quarterly principal instalments of RM3,437,500 each and commencing 27 months from the date of the disbursement or by way of redemption whichever is earlier. **Secured revolving credit IV** of RM10,000,000 (2017: RMNil) is repayable by 4 quarterly principal instalments of RM2,500,000 each and commencing 39 months from the date of the disbursement. The term loan and revolving credit are secured and supported as follows:

- (a) legal charge over the leasehold land of a subsidiary;
- (b) specific debenture over the project land;
- (c) assignment over all applicable insurance policies;
- (d) deed of assignment over Designated Accounts to be maintained with bank; and
- (e) corporate guarantee of the Company.

**Secured revolving credit V** of RM20,000,000 (2017: RM20,000,000) and **secured bank overdraft I** of RM3,187,603 (2017: RMNil) are repayable on demand and are secured and supported as follows:

- (a) legal charge over the leasehold land held for property development of a subsidiary; and
- (b) corporate guarantee of the Company.

**Term loan V** of RM6,994,304 (2017: RM20,994,304) is repayable by 10 quarterly principal instalments of RM3,500,000 each commencing December 2016 and is secured and supported as follows:

- (a) legal charge over freehold land held for property development of a subsidiary; and
- (b) corporate guarantee of the Company.

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**28. LOANS AND BORROWINGS (Cont'd)**

**Secured revolving credit VI** of RMNil (2017: RM4,510,000) is rollover quarterly and repayable on demand. **Bridging loan** of RMNil (2017: RM6,306,911) is part of total loan of RM17,000,000 and is repayable by 4 quarterly principal instalments of RM4,250,000 or any balance outstanding with first repayment to commence upon expiry of availability period or on 28th month following the date of full drawdown or payment by way of redemption whichever is earlier. The revolving credit and bridging loan are secured and supported as follows:

- (a) specific debenture over the project land of a subsidiary;
- (b) legal charge over leasehold land held for property development; and
- (c) corporate guarantee of the Company.

**Term loan VI** of RMNil (2017: RM5,317,922) is part of the total term loan of RM10,000,000 and is repayable by 8 quarterly principal instalments of RM1,250,000 each with the first repayment to commence on 13th month following the date of first drawdown. **Term loan VII** of RMNil (2017: RM5,000,000) is repayable by 8 quarterly instalments of RM625,000 each and commencing 13th month following the date of first drawdown. The both term loans are secured and supported as follows:

- (a) legal charge over Housing Development Account and Project Account;
- (b) legal charge over the Financial Service Reserve Account; and
- (c) corporate guarantee of the Company.

**Term loan VIII** of RMNil (2017: RM3,740,000) is part of total term loan of RM10,000,000 and is repayable by 5 quarterly principal instalments of RM1,667,000 each and a final payment of RM1,665,000 with the first repayment to commence on 21st month from the day of first drawdown. **Secured revolving credit VII** of RMNil (2017: RM3,370,000) is part of the total revolving credit of RM5,000,000 and is repayable by 6 quarterly repayment commencing 24th month from the day of first drawdown or by way of redemption whichever is earlier. The term loan and revolving credit are secured and supported as follows:

- (a) legal charge over designated account and the credit balances;
- (b) assignment over all applicable insurance policies;
- (c) facility agreement; and
- (d) corporate guarantee of the Company.

**Secured revolving credit VIII** of RMNil (2017: RM1,875,000) is repayable by 8 quarterly principal instalments of RM1,875,000 each commencing on the 39th month from the date of first drawdown. **Secured bank overdraft II** of RMNil (2017: RM1,987,551) is repayable on demand. The revolving credit and bank overdraft are secured and supported as follows:

- (a) legal charge over leasehold land and building of a subsidiary; and
- (b) corporate guarantee of the Company.

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### 28. LOANS AND BORROWINGS (Cont'd)

**Term loan IX** of RMNil (2017: RM384,253) is part of the total term loan of RM13,000,000 and is repayable by 5 quarterly principal instalments of RM2,167,000 each and final principal instalment of RM2,165,000 or any balance outstanding with the first repayment to commence on the 33rd month following the date of first drawdown or payment by way of redemption whichever is earlier. **Secured revolving credit IX** of RM4,000,000 (2017: RMNil) is part of total revolving credit of RM5,000,000 and is repayable by 4 quarterly principal instalments of RM1,250,000 each with the first repayment to commence on 39th month following the date of first drawdown or payment by way of redemption whichever is earlier. The term loan and revolving credit are secured and supported as follows:

- (a) legal charge over the freehold land held for property development of a subsidiary;
- (b) specific debenture over the project land; and
- (c) corporate guarantee of the Company.

**Term loan X** of RMNil (2017: RM14,324,646) is repayable by 48 monthly principal instalments commencing from the 4th year following to the date of the first drawdown or payment by way of redemption, whichever is earlier and is secured and supported as follows:

- (a) specific debentures by way of fixed and floating charge for all present and future assets of the project;
- (b) deed of assignment over the rights under the joint development agreement;
- (c) legal assignment and charge over all sales proceed; and
- (d) corporate guarantee of the Company.

**Term loan XI** of RM4,843,597 (2017: RMNil) is part of the total term loan of RM55,000,000 and repayable by 9 quarterly principal instalments over 3 year commencing on the first day of the 30th month following the date of first drawdown or payment by way of redemption whichever is earlier. **Secured revolving credit X** of RM1,400,000 (2017: RMNil) is part of the total revolving credit of RM15,000,000 is repayable by 3 quarterly principal instalments of RM5,000,000 each over 2 year commencing on the first day of the 36th month following the date of first drawdown or payment by way of redemption whichever is earlier. The term loan and revolving credit are secured and supported as follows:

- (a) specific charge and assignment over all designated accounts to be opened with the bank of subsidiary;
- (b) specific debenture by way of fixed and floating charge over all present of future assets in relation to the project of subsidiary; and
- (c) corporate guarantee of the Company.

**Term loan XII** of RM147,169,723 (2017: RM190,544,167) is repayable in 20 quarterly principal instalments commencing 9th month from the day of first drawdown. **Secured revolving credit XI** of RM44,050,466 (2017: RM53,438,636) is repayable on demand. The term loan and revolving credits are secured and supported as follows:

- (a) legal charge over the oil palm plantation land of a subsidiary in Indonesia;
- (b) pledged of shares of a subsidiary; and
- (c) corporate guarantee of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

#### 28. LOANS AND BORROWINGS (Cont'd)

**Term loan XIII** of RM8,300,524 (2017: RM16,945,952) is repayable in 12 quarterly principal instalments commencing 61st month from the day of first drawdown. **Term loan XIV** of RM14,525,917 (2017: RM14,827,708) is repayable in 12 quarterly principal instalments commencing 48th month from the day of first drawdown. The term loans are secured and supported as follows:

- (a) facility agreement and security sharing agreement;
- (b) legal charge over the oil palm plantation land of a subsidiary in Indonesia;
- (c) deed of fiduciary by way of fixed and floating charge over the oil palm plantation in Indonesia;
- (d) charge over a designated bank account of a subsidiary in Indonesia;
- (e) corporate guarantee of the Company;
- (f) pledge of 95% shares of a subsidiary;
- (g) assignment over all applicable insurance policies; and
- (h) negative pledge over a subsidiary's assets.

**Term loan XV** of RM68,816 (2017: RM684,129) is repayable by 96 monthly instalments of RM52,875 each commencing December 2010 and is secured and supported as follows:

- (a) by way of charge over the freehold buildings of a subsidiary upon issuance of titles;
- (b) first party open monies deed of assignment; and
- (c) corporate guarantee of the Company.

**Term loan XVI** of RM495,835 (2017: RM1,855,084) is repayable in 19 quarterly principal instalments of RM471,076 each and final instalment to be calculated and advised by the bank commencing on 4th month after the first drawdown. **Secured revolving credit XII** RM23,700,000 (2017: RM24,400,000) is repayable on demand. The term loan and revolving credit are secured and supported as follows:

- (a) facility agreement;
- (b) legal charge over the leasehold land and building of a subsidiary;
- (c) legal assignment over debt service account;
- (d) legal assignment over all tenancy and rent agreements;
- (e) specific debenture on fixed and floating charge over the leasehold land and building of a subsidiary;
- (f) deed of subordinate in respect of shareholders advances and loans to the subsidiary;
- (g) legal assignment of all of the subsidiary's present and future rights, title and benefits in and under such insurance policies procure in respect of the charge; and
- (h) corporate guarantee of the Company.



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**28. LOANS AND BORROWINGS (Cont'd)**

**Term loan XVII** of RM4,453,936 (2017: RM4,576,379) is repayable in 300 monthly principal instalments of RM28,269 each, commencing November 2014 and is secured and supported as follows:

- (a) legal charge over the freehold buildings;
- (b) first party open monies deed of assignment; and
- (c) corporate guarantee of the Company.

**Term loan XVIII** of RM3,561,274 (2017: RM6,561,274) is repayable by 84 monthly principal instalments commencing 19th month from the date of first drawdown or on 1 January 2014, whichever is earlier. The term loan is secured and supported as follows:

- (a) legal charge over the freehold land of a subsidiary;
- (b) a limited debenture by way of a fixed and floating charge over construction costs for a private and international school developed on the said freehold land;
- (c) legal assignment over a subsidiary and/or the customer's rights and interest under an offer to lease and purchase;
- (d) legal assignment over all rents and other monies payables; and
- (e) corporate guarantee of the Company.

**Term loan XIX** of RM5,312,056 (2017: RMNil) is repayable by 60 monthly instalments of RM100,000 each, commencing on 1st disbursement and is secured and supported as follows:

- (a) legal charge over the leasehold building of a subsidiary;
- (b) assignment of all rights, title and interest in respect of rental proceeds from leasehold building of subsidiary; and
- (c) corporate guarantee of the Company.

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**28. LOANS AND BORROWINGS (Cont'd)**

**Secured revolving credit XIII** of RM10,277,977 (2017: RM20,251,028) is part of the total revolving credit of RM45,000,000 and is repayable by 18 quarterly principal instalments of RM2,500,000 each commencing December 2014 and **secured revolving credit XIV** of RM34,718,250 (2017: RM34,718,250) is part of the total revolving credit of RM40,000,000 and is repayable on demand. All revolving credits are secured and supported as follows:

- (a) legal charge over the leasehold land and building of a subsidiary;
- (b) corporate guarantee of the Company;
- (c) specific debenture by way of fixed and floating charge over the leasehold land and building of a subsidiary; and
- (d) legal assignment of rental proceeds from the investment property of a subsidiary.

**Unsecured term loan** of RMNil (2017: RM3,000,000), **Unsecured revolving credit** of RM8,300,524 (2017: RMNil) and **Unsecured bank overdraft** of RMNil (2017: RM508,170) of the Group are repayable on demand and are supported by corporate guarantee of the Company.

**Unsecured revolving credits** of RM92,100,000 (2017: RM60,500,000) and **Unsecured bank overdrafts** of RM1,601,813 (2017: RMNil) of the Company are repayable on demand.

Reconciliation of loans and borrowings arising from financing activities

	As of 1 October 2017 RM	Financing cash flows RM	Acquisition of property, plant and equipment by finance lease payment RM	Effect of movements in exchange rate RM	As of 30 September 2018 RM
<b>The Group</b>					
Term loans	389,194,227	(117,261,766)	-	(8,371,420)	263,561,041
Bridging loan	6,306,911	(6,306,911)	-	-	-
Revolving credits	372,545,844	31,380,367	-	(1,206,064)	402,720,147
Finance lease liabilities	1,974,114	(938,042)	650,000	-	1,686,072
	770,021,096	(93,126,352)	650,000	(9,577,484)	667,967,260
<b>The Company</b>					
Revolving credits	60,500,000	31,600,000	-	-	92,100,000

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### 29. DIVIDEND

	Net dividend per share Sen	Total amount RM	Date of payment
<b>2018</b>			
Interim single tier dividend of 5.0 sen per ordinary share in respect of financial year ended 30 September 2017	5.0	29,284,585	11 January 2018
<b>2017</b>			
Interim single tier dividend of 7.0 sen per ordinary share in respect of financial year ended 30 September 2016	7.0	29,362,829	31 December 2016

A first interim single tier dividend of 3.5 sen per ordinary share in respect of financial year ended 30 September 2018 amounting to RM20,268,891 was declared on 30 November 2018 and to be paid on 10 January 2019. The financial statements for the current financial year do not reflect the dividend. Such dividend will be accounted in equity as an appropriation of retained earnings in the financial year ending 30 September 2019.

The directors do not recommend any final dividend payment in respect of the financial year ended 30 September 2018.

### 30. ACQUISITION OF SUBSIDIARIES

#### During the financial year

- (a) On 16 January 2018, Kajang Resources Corporation Sdn. Bhd. ("KRC"), a wholly owned subsidiary of the Company, acquired 2 ordinary shares representing 100% of the equity interest in MKH Property Ventures Sdn. Bhd. ("MPVSB"), for a cash consideration of RM2. Subsequently on 28 February 2018 and 27 March 2018, KRC subscribed for 509,998 and 19,890,000 new ordinary shares in MPVSB, representing 51% of the total allotment of 999,998 and 39,000,000 new ordinary shares respectively. The said acquisition did not give rise to a material impact on the financial statements of the Group.
- (b) On 17 January 2018, the Company acquired 2 ordinary shares representing 100% of the equity interest in Metro Readymix Sdn. Bhd., for a cash consideration of RM2. The said acquisition did not give rise to a material impact on the financial statements of the Group.

#### In the previous financial year

- (a) On 4 October 2016, the Company incorporated a wholly-owned subsidiary company known as MKH Land (Aust) Pty Ltd in Australia with issued and paid up share capital of AUD100 comprising 100 shares of AUD1 each. The said incorporation did not give rise to a material impact on the financial statements of the Group.
- (b) On 4 July 2017, the Company acquired 100% of the equity interest in MKH IHS Precast Sdn. Bhd., for a cash consideration of RM2. The said acquisition did not give rise to a material impact on the financial statements of the Group.

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**31. FINANCIAL GUARANTEE**

	<b>The Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Corporate guarantees given by the Company to financial institutions and creditors for banking and credit facilities granted to the subsidiaries: Outstanding as at financial year end	646,246,556	781,034,663

The financial guarantees have not been recognised since the fair value on initial recognition was immaterial as the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the securities pledged by the subsidiaries and it is not probable that the counterparties to financial guarantee contracts will claim under the contracts.

**32. CONTINGENT LIABILITY**

On 18 April 2016, PT Maju Kalimantan Hadapan ("PTMKH"), a subsidiary of the Company, received a tax assessment letter from the Indonesia's Director General of Tax ("DGT") for the year of assessment 2012, to restrict the claims on net realised and unrealised foreign exchange losses incurred amounted to IDR97,700 million, equivalent to RM30.7 million. According to the tax objection in Balikpapan, Indonesia, on 19 June 2017, DGT restricted PTMKH's claims on net realised and unrealised foreign exchange losses up to IDR7,414 million, equivalent to RM2.3 million instead of abovementioned IDR97,700 million. Based on applicable corporate income tax rate of 25%, the restricted amount of the net realised and unrealised foreign currency exchange losses of IDR90,286 million, equivalent to RM28.4 million will result in over-recognition of tax benefit of IDR22,571 million, equivalent to RM7.1 million in the financial statements of the Group and PTMKH. On 6 August 2018, PTMKH received official verdict letter from the DGT for year of assessment 2012's tax appeal. The entire net realised and unrealised foreign exchange losses of IDR90,286 million, equivalent to RM28.4 million is allowable to claim as expenses in the tax return submitted by PTMKH.

On 29 August 2017, PTMKH received tax assessment letter from DGT for the year of assessment 2013, to restrict the claims on net realised and unrealised foreign exchange losses incurred amounted to IDR188,875 million, equivalent to RM59.3 million. According to the tax assessment letter, DGT restricted PTMKH's claims on net realised and unrealised foreign exchange losses up to IDR44,405 million, equivalent to RM13.9 million instead of abovementioned IDR188,875 million. Based on applicable corporate income tax rate of 25%, the restricted amount of the realised and unrealised foreign exchange losses of IDR144,470 million, equivalent to RM45.4 million will result in over-recognition of tax benefit of IDR36,118 million, equivalent to RM11.3 million in the financial statements of the Group and PTMKH. On 27 November 2017, PTMKH filed an objection letter in reply to tax assessment letter for the year of assessment 2013. The objection letter has been rejected by tax appeal office in Balikpapan, Indonesia. On 19 December 2018, PTMKH filed an appeal to tax court in Jakarta, Indonesia.

Based on consultation with the local tax experts, the directors of PTMKH are of the opinion that PTMKH has a valid defense against DGT's assessments for both years of assessment 2012 and 2013. Accordingly, PTMKH has not made any adjustments in respect of the tax assessments in the financial statements.

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## 33. CAPITAL COMMITMENTS

As at the reporting date, the Group has the following capital commitments:

	<b>The Group</b> <b>2018</b> <b>RM</b>	<b>2017</b> <b>RM</b>
Approved and contracted for	19,009,639	21,155,838
Approved and not contracted for	21,007,796	12,039,142
	<b>40,017,435</b>	<b>33,194,980</b>

## 34. RELATED PARTY DISCLOSURES

### (a) Identity of related parties

For the purposes of these financial statements, 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 decision, 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 a related party relationship with its subsidiaries, associates and key management personnel.

### (b) Key management personnel compensation

The key management personnel compensation is as follows:

	<b>The Group</b> <b>2018</b> <b>RM</b>	<b>2017</b> <b>RM</b>
<b>Directors of the Company</b>		
Other short-term emoluments	13,414,660	13,154,981
Post-employment benefits	2,558,920	3,097,544
	<b>15,973,580</b>	<b>16,252,525</b>
Estimated monetary value of benefits-in-kind	100,653	94,487
	<b>16,074,233</b>	<b>16,347,012</b>

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## 34. RELATED PARTY DISCLOSURES (Cont'd)

### (b) Key management personnel compensation (Cont'd)

	The Group	
	2018 RM	2017 RM
<b>Other key management personnel</b>		
Remuneration	9,497,906	8,643,478
Other short-term employee benefits	199,825	23,950
Total short-term employee benefits	9,697,731	8,667,428
Post-employment benefits	1,182,846	1,085,075
	10,880,577	9,752,503
Total key management personnel compensation	26,954,810	26,099,515

Other key management personnel comprises persons other than the directors of Company, having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

### (c) Related party transactions and balances of the Company

	The Company	
	2018 RM	2017 RM
<b>Received or receivable from subsidiaries</b>		
Gross dividend	(32,516,500)	(44,370,000)
Interest income	(18,351,865)	(14,885,396)
<b>Paid or payable to subsidiaries</b>		
Management fee	24,000	24,000
Secretarial fee	9,600	9,600

Information on outstanding balances with related companies of the Company are disclosed in Notes 19 and 27.



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### 34. RELATED PARTY DISCLOSURES (Cont'd)

#### (d) Related party transactions and balances of the Group

	The Group 2018 RM	2017 RM
<b>Paid and payable to associate</b>		
Progress billings	64,529,829	40,345,628
<b>Received and receivables from associate</b>		
Sale of goods	20,969,992	8,868,706
Rental income	-	2,145,388
Rental of premises and car parking fees	-	48,352
<b>Received and receivable from company in which a director has substantial equity interests</b>		
Secretarial fees	1,440	1,080
<b>Received and receivable from other related parties</b>		
Progress billings to:		
(i) a corporate shareholder of a subsidiary	3,487,536	387,504
(ii) a corporate in which a director of the Company has substantial interests	-	774,121
(iii) a person connected to a director of the Company	1,035,900	1,516,221
(iv) certain key management personnel of the Group	855,668	1,170,314

Information on outstanding balances with related parties of the Group is disclosed in Notes 19 and 27.

## NOTES TO THE FINANCIAL STATEMENTS

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#### 35. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments based on their products and services. The Group's chief operation decision maker reviews the information of each business segment on at least monthly basis for the purposes of resource allocation and assessment of segment performance. Therefore, the Group's reportable segments under FRS 8 are as follows:

- |   |   |
|---|---|
| (i) Property development and construction | - property development, building and civil works contracting.                       |
| (ii) Plantation                           | - oil palm cultivation.   |
| (iii) Hotel and property investment       | - hotel business and property investment and management.                            |
| (iv) Trading                              | - trading in building materials and household related products and general trading. |
| (v) Manufacturing                         | - furniture manufacturing.  |
| (vi) Investment holding                   | - investment holding and management services.                                       |

Non-reportable segments comprise recreational club operation, money lending and provision of insurance broking services.

#### Segment revenue and results

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represents profit before tax of the segment. Inter-segment transactions are entered into in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

#### Segment assets

Segment assets are measured based on all assets (including goodwill) of the segment, excluding investment in associates, deferred tax assets and current tax asset.

#### Segment liabilities

Segment liabilities are measured based on all liabilities, excluding current tax liabilities, interest bearing loans and borrowings and deferred tax liabilities.

### 35. SEGMENT INFORMATION (Cont'd)

#### Segment revenue and results

2018	Property development and construction RM	Plantation RM	Hotel and property investment RM	Trading RM	Manu- facturing RM	Investment holding RM	Non- reportable segments RM	Elimination RM	Total RM
<b>Revenue</b>									
Total external revenue	702,686,749	263,196,707	32,956,734	72,886,083	7,582,221	-	2,392,421	-	1,081,700,915
Inter-segment revenue	10,377,358	5,734,677	1,803,600	111,077	-	100,044,502	-	(118,071,214)	-
Total segment revenue	713,064,107	268,931,384	34,760,334	72,997,160	7,582,221	100,044,502	2,392,421	(118,071,214)	1,081,700,915
<b>Results</b>									
Operating results	109,557,569	31,511,407	13,884,932	2,843,653	505,626	37,231,490	506,651	(41,599,326)	154,442,002
Interest expense	(42,618,785)	(21,814,550)	(2,180,251)	(3,644)	-	(29,715,394)	(2,914,612)	64,998,032	(34,249,204)
Interest income	9,265,142	730,662	55,938	90,543	297,827	19,095,342	8,353	(23,398,706)	6,145,101
Share of results of associates	360,579	-	-	-	-	-	-	-	360,579
Segment results	76,564,505	10,427,519	11,760,619	2,930,552	803,453	26,611,438	(2,399,608)	-	126,698,478
Tax expense	(25,220,826)	(9,708,556)	(8,296,045)	(683,004)	(210,705)	(7,295,598)	(203,906)	-	(51,618,640)
<b>Profit/(Loss) for the financial year</b>	51,343,679	718,963	3,464,574	2,247,548	592,748	19,315,840	(2,603,514)	-	75,079,838
<b>Other segment information</b>									
Bad debts written off	-	212,636	-	-	-	-	3,732	-	216,368
Biological assets written off	-	1,130,667	-	-	-	-	-	-	1,130,667
Deposits written off	2,000	-	-	-	-	-	-	-	2,000
Depreciation and amortisation	1,319,116	30,806,634	2,445,451	46,480	741,490	427,583	128,818	-	35,915,572
Changes in fair value of investment properties	-	-	317,000	-	-	-	-	-	317,000
Gain on disposal of property, plant and equipment	(25,233)	-	(943)	-	-	-	-	-	(26,176)
Gain on retention sum measured at amortised cost	(161,806)	-	-	-	-	-	-	-	(161,806)
Inventories written down	940,057	-	-	-	-	-	-	-	940,057
Impairment loss on trade and other receivables	-	-	-	77,374	-	-	890	-	78,264
Inventories written off	-	-	2,193	-	-	-	-	-	2,193
Land donation	9,461,450	-	-	-	-	-	-	-	9,461,450
Property, plant and equipment written off	11,221	145,507	877	-	56,638	-	-	-	214,243
Provision for post-employment benefit obligations	-	1,497,090	-	-	-	-	-	-	1,497,090
Loss on foreign exchange:									
Realised	1,388	3,542,135	-	-	161,052	245,210	-	-	3,949,785
Unrealised	-	36,440,727	-	-	-	-	-	-	36,440,727
Impairment loss no longer required on trade and other receivables	(25,000)	-	(25,662)	-	-	(7,200)	(200)	-	(58,062)

## 35. SEGMENT INFORMATION (Cont'd)

## Segment revenue and results (Cont'd)

2017	Property development and construction RM	Plantation RM	Hotel and property investment RM	Trading RM	Manu- facturing RM	Investment holding RM	Non- reportable segments RM	Elimination RM	Total RM
<b>Revenue</b>									
Total external revenue	702,528,318	260,538,361	33,877,646	59,281,522	11,123,656	-	1,483,999	-	1,068,833,502
Inter-segment revenue	-	4,046,478	1,275,750	185,545	-	109,530,243	-	(115,038,016)	-
Total segment revenue	702,528,318	264,584,839	35,153,396	59,467,067	11,123,656	109,530,243	1,483,999	(115,038,016)	1,068,833,502
<b>Results</b>									
Operating results	177,220,140	40,863,720	17,303,911	4,528,309	918,078	36,225,939	(92,007)	(39,737,035)	237,231,055
Interest expense	(48,393,730)	(26,782,743)	(2,245,883)	(2,952)	-	(30,260,559)	(1,137,857)	61,259,178	(47,564,546)
Interest income	11,161,558	862,537	16,705	112,718	120,863	15,358,090	21,608	(21,522,143)	6,131,936
Share of results of associates	(2,206,144)	-	-	-	-	-	-	-	(2,206,144)
Segment results	137,781,824	14,943,514	15,074,733	4,638,075	1,038,941	21,323,470	(1,208,256)	-	193,592,301
Tax expense	(45,671,657)	(12,624,054)	(3,108,562)	(1,125,046)	(240,884)	(5,846,775)	(132,065)	-	(68,749,043)
<b>Profit/(Loss) for the financial year</b>	92,110,167	2,319,460	11,966,171	3,513,029	798,057	15,476,695	(1,340,321)	-	124,843,258
<b>Other segment information</b>									
Biological assets written off	-	4,775,926	-	-	-	-	-	-	4,775,926
Deposits written off	5,600	-	-	-	-	-	-	-	5,600
Depreciation and amortisation	1,215,601	32,262,383	2,121,584	30,474	774,733	459,130	1,441,805	-	38,305,710
Changes in fair value of investment properties	-	-	(2,987,901)	-	-	-	-	-	(2,987,901)
(Gain)/loss on disposal of property, plant and equipment	-	-	-	-	(8,172)	437	-	-	(7,735)
Impairment loss on trade and other receivables	2,000	-	58,137	-	-	-	1,769	-	61,906
Inventories written off	161,439	169	170	-	-	-	-	-	161,778
Property, plant and equipment written off	7,957	3,634	260	6	5,572	6,230	1	-	23,660
Provision for retirement gratuity	-	-	-	-	-	587,866	-	-	587,866
Provision for post-employment benefit obligations	-	832,705	-	-	-	-	-	-	832,705
Loss/(Gain) on foreign exchange:									
Realised	(775)	6,794,175	-	(109)	154,698	(230,233)	-	-	6,717,756
Unrealised	-	7,162,651	-	-	-	18,252	-	-	7,180,903
Impairment loss no longer required on trade and other receivables	(54,283)	-	(13,538)	(51,404)	-	(4,200)	(100)	-	(123,525)

## 35. SEGMENT INFORMATION (Cont'd)

### Segment revenue and results (Cont'd)

2018	Property development and construction RM	Plantation RM	Hotel and property investment RM	Trading RM	Manu- facturing RM	Investment holding RM	Non- reportable segments RM	Elimination RM	Total RM
<b>Assets</b>									
Segment assets	2,161,050,903	486,929,372	371,819,633	32,064,419	33,019,121	28,576,775	41,147,606	-	3,154,607,829
Investment in associates	14,250,386	-	-	-	-	-	-	-	14,250,386
Deferred tax assets	44,741,800	-	27,200	15,302	-	4,818,500	-	-	49,602,802
Tax recoverable	-	1,082,118	-	-	-	-	-	-	1,082,118
Current tax assets	14,791,342	4,805,483	39,279	213,603	-	-	36,000	-	19,885,707
Total assets	2,234,834,431	492,816,973	371,886,112	32,293,324	33,019,121	33,395,275	41,183,606	-	3,239,428,842
<b>Liabilities</b>									
Segment liabilities	799,936,246	44,009,160	10,324,716	11,378,605	3,433,100	21,347,711	1,097,093	-	891,526,631
Current tax liabilities	5,308,486	-	774,869	-	147,928	2,029,499	46,924	-	8,307,706
Interest bearing liabilities	273,588,344	222,347,154	37,591,917	64,595	-	139,164,666	-	-	672,756,676
Deferred tax liabilities	25,144,600	17,914,835	18,848,257	-	1,871,074	92,226	253,190	-	64,124,182
Total liabilities	1,103,977,676	284,271,149	67,539,759	11,443,200	5,452,102	162,634,102	1,397,207	-	1,636,715,195
<b>Other segment information</b>									
Additions to non-current assets other than financial instruments and deferred tax assets	56,465,094	18,880,677	1,696,010	92,698	176,642	-	1,430	-	77,312,552

## 35. SEGMENT INFORMATION (Cont'd)

## Segment revenue and results (Cont'd)

2017	Property development and construction RM	Plantation RM	Hotel and property investment RM	Trading RM	Manu- facturing RM	Investment holding RM	Non- reportable segments RM	Elimination RM	Total RM
<b>Assets</b>									
Segment assets	2,113,526,808	531,458,304	377,239,832	27,193,447	33,869,261	41,231,963	38,670,282	-	3,163,189,897
Investment in associates	13,889,807	-	-	-	-	-	-	-	13,889,807
Deferred tax assets	29,116,400	-	20,900	4,171	-	4,791,630	-	-	33,933,101
Tax recoverable	-	1,282,296	-	-	-	-	-	-	1,282,296
Current tax assets	11,883,826	315	299,829	-	-	30,039	328	-	12,214,337
Total assets	2,168,416,841	532,740,915	377,560,561	27,197,618	33,869,261	46,053,632	38,670,610	-	3,224,509,438
<b>Liabilities</b>									
Segment liabilities	785,716,607	44,538,856	10,579,095	8,160,930	3,647,692	22,732,045	1,144,120	-	876,519,345
Current tax liabilities	5,487,534	520,488	1,039,637	64,997	23,631	1,408,430	70,118	-	8,614,835
Interest bearing liabilities	342,378,905	275,756,463	38,076,866	81,952	-	116,222,631	-	-	772,516,817
Deferred tax liabilities	25,500,000	17,667,900	13,683,000	-	1,969,372	64,326	153,125	-	59,037,723
Total liabilities	1,159,083,046	338,483,707	63,378,598	8,307,879	5,640,695	140,427,432	1,367,363	-	1,716,688,720
<b>Other segment information</b>									
Additions to non-current assets other than financial instruments and deferred tax assets	84,194,149	14,790,279	3,339,697	100,538	117,385	-	329,358	-	102,871,406



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### 35. SEGMENT INFORMATION (Cont'd)

#### Geographical information

Revenue and non-current assets information is presented based on the segment's country of domicile. Revenue from external customers based on the location of its customers has not been disclosed as revenue earned outside the segment's country of domicile is insignificant. Non-current assets do not include financial instruments, investment in associates, deferred tax assets and tax recoverable.

	Revenue		Non-current assets	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	810,921,987	797,171,485	1,266,249,928	1,311,364,616
Republic of Indonesia	263,196,707	260,538,361	406,675,170	464,820,298
The Peoples' Republic of China	7,582,221	11,123,656	19,736,940	21,424,690
	1,081,700,915	1,068,833,502	1,692,662,038	1,797,609,604

#### Major customer information

There is no single customer with revenue equal or more than 10% of the Group revenue.

### 36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 16 January 2018, Kajang Resources Corporation Sdn. Bhd. ("KRC"), a wholly owned subsidiary of the Company, acquired 2 ordinary shares representing 100% of the equity interest in MKH Property Ventures Sdn. Bhd. ("MPVSB"), for a cash consideration of RM2. Subsequently on 28 February 2018 and 27 March 2018, KRC subscribed for 509,998 and 19,890,000 new ordinary shares in MPVSB, representing 51% of the total allotment of 999,998 and 39,000,000 new ordinary shares respectively. As a result, MPVSB became a 51% owned subsidiary of KRC and of the Group;
- (b) On 17 January 2018, the Company acquired 2 ordinary shares representing 100% of the equity interest in Metro Readymix Sdn. Bhd. ("MRSB"), for a cash consideration of RM2. As a result, MRSB became a 100% owned subsidiary of the Company; and
- (c) On 29 January 2018, Metro Tiara (M) Sdn. Bhd. ("MTSB"), a wholly owned subsidiary of the Company, disposed 2,000,000 ordinary shares representing 20% of the equity interest in Rafflesia School (Kajang) Sdn. Bhd. ("RSKSB"), for a total cash consideration of RM2,000,000. The disposal was completed on 8 March 2018. As a result, RSKSB has ceased to become an associate of MTSB and of the Group.

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**37. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR END**

- (a) On 26 October 2018, Perkasa Bernas (M) Sdn. Bhd. ("PBSB"), a wholly owned subsidiary of the Company acquired 4 ordinary shares representing 40% of the equity interest of Daksina Harta Sdn. Bhd. ("DHSB"), for a cash consideration of RM5,000,000. The Group has on 9 November 2018 completed the acquisition. As a result, DHSB become an associate of PBSB and of the Group;
- (b) On 19 December 2018, the Company acquired 1 ordinary share representing 100% of the equity interest of Nexus Starship Sdn. Bhd. ("NSSB"), for a cash consideration of RM1. As a result, NSSB became a 100% owned subsidiary of the Company; and
- (c) On 20 December 2018, NSSB, a wholly-owned subsidiary of the Company acquired 1 ordinary share representing 100% of the equity interest of Quantum Density Sdn. Bhd. ("QDSB"), for a cash consideration of RM1. As a result, QDSB became a 100% owned subsidiary of NSSB and of the Group. Subsequently, on 26 December 2018, NSSB entered into a Subscription and Shareholders' Agreement ("SSA") with Usaha Nusantara Sdn. Bhd. for the subscription of shares in QDSB. Upon completion of the SSA, QDSB will become a 50.0004% owned subsidiary of NSSB and of the Group.

**38. OPERATING LEASE ARRANGEMENTS - THE GROUP AS LESSOR**

The Group has entered into property leases on its investment properties, which comprise freehold and leasehold land and buildings, with non-cancellable lease terms ranging from 12 to 30 years. The lease contracts contain fixed upward revision of the rental charges over the lease period.

Future minimum rental receivables under non-cancellable operating leases at the reporting date but not recognised as receivables, are as follows:

	<b>The Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Not later than 1 year	4,008,356	3,967,901
Later than 1 year but not later than 5 years	17,620,009	17,176,433
Later than 5 years	40,481,302	44,933,234
	<b>62,109,667</b>	<b>66,077,568</b>

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## 39. FINANCIAL INSTRUMENTS

### Categories of financial instruments

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Financial assets</b>				
Loans and receivables:				
Receivables and deposits	260,950,140	224,573,588	362,465,541	300,891,022
Cash, bank balances, term deposits and fixed income funds	227,726,216	264,609,775	3,941,479	12,145,700
<b>Financial liabilities</b>				
Other financial liabilities at amortised cost:				
Payables and accruals	846,098,180	821,705,604	539,936	1,344,734
Loans and borrowings	672,756,676	772,516,817	93,701,813	60,500,000

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main risks and corresponding management policies arising from the Group's normal course of business are as follows:

### (i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's and the Company's exposure to credit risk primarily arises from the receivables. For other financial assets, the Group minimises credit risk by dealing with high credit rating counterparties. The maximum risk associated with recognised financial assets is the carrying amounts as presented in the statements of financial position and corporate guarantee provided by the Company to banks on subsidiaries' credit facilities.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

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**40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)****(i) Credit risk (Cont'd)**

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's net trade related receivables at the reporting date are as follows:

	The Group			
	2018 RM	% of total	2017 RM	% of total
<b>By country:</b>				
Malaysia	210,803,186	99.09%	180,537,848	98.14%
Republic of Indonesia	1,323,558	0.62%	2,450,541	1.33%
The Peoples' Republic of China	624,407	0.29%	980,718	0.53%
	212,751,151	100.00%	183,969,107	100.00%

The Group does not have any significant exposure to any individual customer at the reporting date.

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiaries and creditors for credit terms granted to subsidiaries.

The Company monitors on an ongoing basis the repayments made by the subsidiaries and their financial performance.

The maximum exposure to credit risk amounts to RM646,246,556 (2017: RM781,034,663) representing the outstanding credit facilities of the subsidiaries guaranteed by the Company at the reporting date. At the reporting date, there was no indication that the subsidiaries would default on their repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was immaterial as the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the securities pledged by the subsidiaries and it was not probable that the counterparties to financial guarantee contracts will claim under the contracts.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions so as to achieve overall cost effectiveness.

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## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

### (ii) Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment of obligations.

	Carrying amount RM	Total contractual amount RM	On demand or within 1 years RM	1-2 years RM	2 to 5 years RM	Over 5 years RM
<b>The Group 2018</b>						
<b>Financial liabilities:</b>						
Payables and accruals	846,098,180	903,668,757	556,791,260	80,543,608	256,222,630	10,111,259
Loans and borrowings	672,756,676	743,090,852	353,508,518	134,526,619	208,005,590	47,050,125
	1,518,854,856	1,646,759,609	910,299,778	215,070,227	464,228,220	57,161,384
<b>The Company 2018</b>						
<b>Financial liabilities:</b>						
Payables and accruals	539,936	539,936	539,936	-	-	-
Loans and borrowings	93,701,813	99,007,528	99,007,528	-	-	-
	94,241,749	99,547,464	99,547,464	-	-	-
<b>The Group 2017</b>						
<b>Financial liabilities:</b>						
Payables and accruals	821,705,604	833,918,512	480,969,167	79,447,092	273,502,253	-
Loans and borrowings	772,516,817	843,473,227	358,482,383	154,332,803	259,902,841	70,755,200
	1,594,222,421	1,677,391,739	839,451,550	233,779,895	533,405,094	70,755,200
<b>The Company 2017</b>						
<b>Financial liabilities:</b>						
Payables and accruals	1,344,734	1,344,734	1,344,734	-	-	-
Loans and borrowings	60,500,000	63,786,750	63,786,750	-	-	-
	61,844,734	65,131,484	65,131,484	-	-	-

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## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

### 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

#### (iii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk when the currency denomination differs from its functional currency.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily Ringgit Malaysia ("RM"), Indonesian Rupiah ("IDR") and Chinese Renminbi ("RMB"). The foreign currency in which these transactions are denominated is mainly United States Dollar ("USD"). Foreign currency exposure in transactions and currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group also holds cash and bank balances denominated in USD for working capital purposes.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investment in The Peoples' Republic of China and Republic of Indonesia are not hedged as currency positions in RMB and IDR are considered to be long-term in nature.

Financial assets and liabilities denominated in USD are as follows:

	The Group	
	2018 RM	2017 RM
<b>USD</b>		
Cash and bank balances	31,686,906	34,845,968
Trade receivables	624,407	980,718
Loans and borrowings	(222,347,154)	(275,756,463)

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## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

### (iii) Foreign currency risk (Cont'd)

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit for the financial year to a reasonably possible change in the USD exchange rate against their respective functional currencies, with all other variables held constant.

The Group	Profit for the financial year	
	2018 RM	2017 RM
USD/RM		
Strengthened 5%	410,400	491,700
Weakened 5%	(410,400)	(491,700)
USD/RMB		
Strengthened 3%	34,600	105,100
Weakened 3%	(34,600)	(105,100)
USD/IDR		
Strengthened 5%	(7,589,100)	(9,657,800)
Weakened 5%	7,589,100	9,657,800

The Group	Translation reserve	
	2018 RM	2017 RM
IDR/RM		
Strengthened 5%	3,689,200	381,790
Weakened 5%	(3,689,200)	(381,790)
RMB/RM		
Strengthened 3%	827,100	829,269
Weakened 3%	(827,100)	(829,269)



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

### 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

#### (iv) Interest rate risk

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

The Group's exposure to interest rate risk relates to interest bearing financial assets and financial liabilities. Interest bearing financial assets include finance lease receivables, loan receivables and deposits with licensed banks. Deposits are placed for better yield returns than cash at banks and to satisfy conditions for bank guarantee.

The Group's interest bearing financial liabilities comprise finance lease, bank overdrafts, revolving credits, bridging loan and term loans.

The fixed deposits placed with licensed banks and loan receivables at fixed rate exposes the Group to fair value interest rate risk. The bank overdrafts, revolving credits, bridging loan and term loans totalling RM671,070,604 (2017: RM770,542,703) at floating rate expose the Group to cash flow interest rate risk whilst finance lease of RM1,686,072 (2017: RM1,974,114) at fixed rate expose the Group to fair value interest rate risk.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group also actively reviews its debts portfolio to ensure favourable rates are obtained, taking into account the investment holding period and nature of assets.

As at the reporting date, a change of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the total equity and profit after tax by approximately RM2,550,000 (2017: RM2,928,100), arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

### 41. FAIR VALUE OF FINANCIAL INSTRUMENTS

The methods and assumptions used to estimate the fair value of the following classes of financial assets and liabilities are as follows:

#### (i) Cash and cash equivalents, trade and other receivables and payables

The carrying amounts approximate their fair values due to the relatively short-term maturities of these financial assets and liabilities.

#### (ii) Long-term trade receivables and payables, loan receivables and finance lease receivables

The fair values of long-term trade receivables and payables, loan receivables and finance lease receivables are estimated using expected future cash flows of contractual instalment payments discounted at current prevailing rates offered for similar types of credit or lending arrangements.

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## 41. FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

### (iii) Borrowings

The carrying amounts of bank overdrafts, short-term revolving credits, bridging loan and short-term loans approximate fair values due to the relatively short-term maturity of these financial liabilities.

The carrying amounts of long-term floating rate revolving credits and loans approximate their fair values as the loans will be re-priced to market interest rate on or near reporting date.

The fair value of finance lease is estimated using discounted cash flow analysis, based on current lending rates for similar types of lending arrangements.

The carrying amounts and fair value of financial instruments, other than the carrying amounts which are reasonable approximation of fair values, are as follows:

	Carrying amount RM	The Group Fair value RM
<b>2018</b>		
<b>Financial assets</b>		
Long-term other receivables	1,031,666	455,774
Loan receivables	23,599,747	21,278,374
<b>Financial liabilities</b>		
Finance lease liabilities	1,686,072	1,719,296
<b>2017</b>		
<b>Financial assets</b>		
Long-term other receivables	1,169,973	917,525
Loan receivables	21,032,679	18,002,070
<b>Financial liabilities</b>		
Finance lease liabilities	1,974,114	2,005,779

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## 42. FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities at the reporting date:

The Group 2018	Level 1 RM	Fair value measurement using Level 2 RM	Level 3 RM	Total RM
<b>Investment properties (Note 14)</b>				
Commercial properties	-	-	243,500,000	243,500,000
Office and shoplot	-	-	30,120,000	30,120,000
Education centre	-	-	45,000,000	45,000,000
	-	-	318,620,000	318,620,000
<b>Liability for which fair value is disclosed (Note 41)</b>				
Finance lease payables	-	1,719,296	-	1,719,296
<b>Asset for which fair value is disclosed (Note 41)</b>				
Long-term other receivables	-	455,774	-	455,774
Loan receivables	-	21,278,374	-	21,278,374
	-	21,734,148	-	21,734,148
<b>2017</b>				
<b>Investment properties (Note 14)</b>				
Commercial properties	-	-	244,300,000	244,300,000
Office and shoplot	-	-	29,637,000	29,637,000
Education centre	-	-	45,000,000	45,000,000
	-	-	318,937,000	318,937,000
<b>Liability for which fair value is disclosed (Note 41)</b>				
Finance lease payables	-	2,005,779	-	2,005,779
<b>Asset for which fair value is disclosed (Note 41)</b>				
Long-term other receivables	-	917,525	-	917,525
Loan receivables	-	18,002,070	-	18,002,070
	-	18,919,595	-	18,919,595

# NOTES TO THE FINANCIAL STATEMENTS

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## 42. FAIR VALUE HIERARCHY (Cont'd)

The land and building under property, plant and equipment were revalued by directors in September 2015 and September 2010 based on independent professional valuation. The fair value of these assets are within level 3 of the fair value hierarchy using significant unobservable inputs. There is no fair value determined for the current financial year as the Group revalues its land and building every five years or at a shorter intervals whenever fair value of the said assets is expected to differ substantially from the carrying amounts.

Fair value reconciliation of investment properties measured at level 3 are as follows:

The Group 2018	Commercial properties RM	Office and shoplot RM	Education centre RM	Total RM
<b>Investment properties</b>				
At beginning of year	244,300,000	29,637,000	45,000,000	318,937,000
Changes in fair values	(800,000)	483,000	-	(317,000)
At end of year	243,500,000	30,120,000	45,000,000	318,620,000
<b>2017</b>				
<b>Investment properties</b>				
At beginning of year	244,300,000	19,157,000	45,000,000	308,457,000
Transfer from inventories	-	7,492,099	-	7,492,099
Changes in fair values	-	2,987,901	-	2,987,901
At end of year	244,300,000	29,637,000	45,000,000	318,937,000

Description of valuation techniques used and key unobservable inputs to valuation on investment properties measured at level 3 are as follows:

Property category	Valuation technique	Significant unobservable inputs	Range
<i>Investment properties</i>			
Commercial properties	Comparison method	Market value per square feet	RM50 - RM758
Commercial properties	Investment method	Estimated average rental rate per square feet per month	RM3.47 - RM12.89
		Estimated outgoings per square feet per month	RM1.48 - RM1.54
		Term yield	6.85% - 7.25%
		Sinking fund	3%
		Void rate	2.00% - 5.00%
Commercial properties	Cost method	Construction price per square feet	RM120

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

## 42. FAIR VALUE HIERARCHY (Cont'd)

Property category	Valuation technique	Significant unobservable inputs	Range
<i>Investment properties (Cont'd)</i>			
Office and shoplot	Investment method	Estimated average rental rate per square feet per month	RM4
		Estimated price per parking bay	RM17,000 - RM28,300
		Estimated outgoings per square feet per month	RM0.25
		Term yield	7.5%
Education centre	Investment method	Estimated average rental rate per square feet per month	RM0.80
		Estimated outgoings per square feet per month	RM0.04
		Term yield	6.00%
		Sinking fund	2.00%
		Void rate	2.00%

The estimated fair value would increase/(decrease) if:

- Estimated rental/average rental rate per square feet per month were higher/(lower)
- Estimated price per parking bay per month were higher/(lower)
- Estimated outgoings per square feet per month lower/(higher)
- Rent growth rate per annum were higher/(lower)
- Void rate lower/(higher)
- Term yield rate lower/(higher)
- Reversionary yield rate lower/(higher)
- Sinking fund rate lower/(higher)
- Construction price per square feet higher/(lower)

### Direct Comparison method

Under the direct comparison method, a property's fair value is estimated based on comparison of current prices in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences. Fair value of properties derived using direct comparison method have been generally included in Level 3 fair value hierarchy due to the adjustments mentioned above. The most significant input into this valuation approach is price per square feet of comparable properties.

### Investment method

In the investment method of valuation, the projected net income and other benefits that the subject property can generate over the life of the property is capitalised at market derived term yields to arrive at the present market value of the property. Net income is the residue of gross annual rental less annual expenses (outgoings) required to sustain the rental with allowance for void.

### Cost method of valuation

In the cost method of valuation, the market value of the subject property is the sum of the market value of the land and building. The value of the building is assumed to have a direct relationship with its cost of construction. The cost of construction is then adjusted to allow for cost of finance, profit and demand to reflect its profitable present market value.

## NOTES TO THE FINANCIAL STATEMENTS

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### 42. FAIR VALUE HIERARCHY (Cont'd)

#### Valuation processes applied by the Group

The fair value of land and buildings under property, plant and equipment is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The Group revalues its land and buildings every five years or at shorter intervals whenever the fair value of the said assets is expected to differ substantially from the carrying amounts.

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent professional valuer provides the fair value of the Group's investment property annually.

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### Transfer between Level 1 and 2 fair value

There is no transfer between Level 1 and 2 fair values during the financial year.

### 43. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to sustain future development of the businesses so that it can continue to maximise returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or repay existing borrowings. No changes were made in the objectives, policies and processes during the financial years ended 30 September 2018 and 30 September 2017.

The debt-to-equity ratio is calculated as total debts divided by total capital of the Group. Total debts comprise interest bearing loans and borrowings whilst total capital is the total equity attributable to owners of the parent. The Group's policy is to keep the debt-to-equity ratio of not exceeding 80%. The debt-to-equity ratio as at 30 September 2018 and 2017, which are within the Group's objectives of capital management are as follows:

	The Group	
	2018 RM	2017 RM
Loans and borrowings	672,756,676	772,516,817
Total equity attributable to owners of the parent	1,547,001,700	1,476,994,558
Debt-to-equity ratio (%)	43%	52%

The Group is not subject to any externally imposed capital requirements other than PT Maju Kalimantan Hadapan and PT Sawit Prima Sakti which are required to maintain a debt-to-equity ratio of 75:25 and 65:35 respectively as well as loan-to-value ratio of not more than 75% and 65% respectively in respect of the term loan facilities. Based on the proforma financial information provided to the financial institutions, the Group has complied with this capital requirement.

# LIST OF PROPERTIES

AS AT 30 SEPTEMBER 2018

Location	Description and Existing Use	Land Area (acres)	Tenure	Carrying Amount As At 30-9-2018 RM'000	*Date of Revaluation/ Date of Acquisition
Aliran Perkasa Sdn. Bhd.					
Lot 42195, Mukim Kajang, Daerah Ulu Langat, Selangor	Agricultural title Existing use: Vacant land	3.088	Freehold	1,353	01.04.2004
Lot 42182, Seksyen 10, Bandar Kajang, Daerah Ulu Langat, Selangor	Land approved for development Existing use: Rubber trees	1.495	Freehold	664	07.02.2005
Part of Lot 1990, 1996, 25301, 25310 & PT37334, Mukim Semenyih, Daerah Ulu Langat, Selangor	Land approved for development Existing use: Vacant land	12.537	Freehold	46,261	22.03.2010
Lot 2006, Mukim Semenyih, Daerah Ulu Langat, Selangor	Agricultural title Existing use: Vacant land	10.394	Freehold	7,192	25.10.2011
PT 37330, Mukim Semenyih, Daerah Ulu Langat, Selangor	Land approved for development Existing use: Vacant land	6.870	Freehold	9,493	22.03.2010
PT 37331, Mukim Semenyih, Daerah Ulu Langat, Selangor	Land approved for development Existing use: Vacant land	5.612	Freehold	7,969	01.07.2010
Budi Bidara Sdn. Bhd.					
PT 68858 to PT 68941 (total 84 lots) and PT 68973 (1 lot), Mukim Kajang, Daerah Ulu Langat, Selangor	Individual titles approved for commercial use (84 lots) and residential (1 lot)	5.240	Leasehold of 99 years expiring in 2107	58,501	06.02.2013
PT 688942 to PT 688972 (total 31 lots) Mukim Kajang, Daerah Ulu Langat, Selangor	Individual titles approved for residential use Existing use: Vacant land	1.232	Leasehold of 99 years expiring in 2107		
Gerak Teguh Sdn. Bhd.					
All of the parcels of land held by this subsidiary are located at Mukim Semenyih, Daerah Ulu Langat, Selangor and form part of the mixed development project of Taman Pelangi Semenyih					
PT 26791	Vacant residential land	16.140	Freehold	1,703	08.10.2001
PT 26792	Vacant commercial land	0.500	Freehold	139	08.10.2001
PT 26793	Existing use: 1-storey clubhouse, car park and swimming pool (built-up area of 17,797 sq. ft., building age: 10 years) and part of the land is vacant	2.530	Freehold	513	08.10.2001



LIST OF  
PROPERTIES

AS AT 30 SEPTEMBER 2018

Location	Description and Existing Use	Land Area (acres)	Tenure	Carrying Amount As At 30-9-2018 RM'000	*Date of Revaluation/ Date of Acquisition
<b>Gerak Teguh Sdn. Bhd. (Cont'd)</b>					
PT 26794	Existing use: Lease out for commercial building	2.200	Freehold	11,000	28.09.2018 (Investment Properties stated at fair value)
PT 26795	Existing use: Lease out for commercial building	6.900	Freehold	15,000	28.09.2018 (Investment Properties stated at fair value)
<b>**Hillpark Resources Sdn. Bhd.</b>					
Lot PT 834, Mukim Ijok and PT 1092, Mukim Jeram, District of Kuala Selangor, Selangor	Agricultural title Existing use: Vacant land	74.020	Leasehold expiring in year 2091	97,881	25.06.2013
<b>Hiliran Juara Sdn. Bhd.</b>					
PT 417 to 427 (11 lots), Pekan Baru Sungai Besi, Daerah Petaling, Selangor	Land approved for residential and commercial development Existing use: Partly vacant & partly occupied by building	11.980	Leasehold expiring in year 2100	21,579	14.01.2005
<b>Intelek Murni (M) Berhad</b>					
PT 25624, Taman Bukit Mewah, Kajang, Selangor	3-storey clubhouse, car park and swimming pool, all known as Mewah Club (built-up area of 39,478 sq. ft.) (building age: 24 years)	4.840	Freehold	14,267	* 30.09.2015

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AS AT 30 SEPTEMBER 2018

Location	Description and Existing Use	Land Area (acres)	Tenure	Carrying Amount As At 30-9-2018 RM'000	*Date of Revaluation/ Date of Acquisition
<b>Kajang Resources Corporation Sdn. Bhd.</b>					
All of the parcels of land held by this subsidiary are located at Batu 18, Jalan Semenyih, Mukim Semenyih, Daerah Ulu Langat, Selangor					
PT Nos. 50 and 51	Residential land Existing use: Oil palm plantation	9.659	Leasehold expiring in year 2089	2,800	1991
PT Nos. 131 and 132	Vacant residential land	1.572	Freehold	323	19.08.1997
Lot 27977	Agricultural title Existing use: Vacant land	9.219	Freehold	4,786	26.05.1994
PT 42777	Land approved for development Existing use: Vacant land	2.220	Freehold	2,168	8.12.2010 - 7.4.2011
PT 42107	Land approved for development Existing use: Vacant land	2.000	Freehold	1,886	8.12.2010 - 7.4.2011
Lot 2227	Agricultural title Existing use: Vacant land	7.006	Freehold	4,708	14.01.2011
Lot 2229	Land approved for development Existing use: Vacant land	7.387	Freehold	7,388	27.4.2011
Lot 2236	Agricultural title Existing use: Vacant land	11.044	Freehold	15,515	28.10.2010
<b>Laju Jaya Sdn. Bhd.</b>					
PT Nos. 19379 to 19391 (13 lots), Jalan Semenyih, Kajang, Selangor	Wisma MKH. A 6-storey hotel cum office building with built-up area of 171,935 sq. ft. Existing use: 100% tenanted (building age: 24 years)	0.585	Leasehold expiring in 2089	28,384	* 30.09.2015
<b>Maha Usaha Sdn. Bhd.</b>					
PT No. 19482, Bandar Kajang, Daerah Ulu Langat, Selangor	Commercial complex with built-up area of approximately 600,000 sq. ft. Existing use: 93% tenanted (building age: 22 years)	2.226	Leasehold expiring in 2089	142,500	28.09.2018 (Investment Properties stated at fair value)
Lot 10502, Seksyen 7, Bandar Kajang, Daerah Ulu Langat, Selangor	1 unit of 6-storey Shop/Office in MKH Avenue (buidling Age : 1 year)	0.112	Leasehold expiring in 2107	11,000	28.09.2018 (Investment Properties stated at fair value)

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Location	Description and Existing Use	Land Area (acres)	Tenure	Carrying Amount As At 30-9-2018 RM'000	*Date of Revaluation/ Date of Acquisition
<b>Metro Tiara (M) Sdn. Bhd.</b>					
Unit 1-1, Tingkat 1, Dataran Pelangi Utama, Pelangi Utama, Jalan Masjid, PJU6A, Petaling Jaya, Selangor	1 unit of stratified office lot within a block of 6-storey shop offices with 58 bays of car park (building age: 10.5 years)	2,971 sq. ft. (net lettable area)	Leasehold expiring in year 2101	2,590	28.09.2018 (Investment Properties stated at fair value)
PT No. 76622, Bandar Kajang, Daerah Ulu Langat, Selangor	Private school complex with built-up area of approximately 224,736 sq. ft. (building age: 5 years)	5.000	Freehold	45,000	28.09.2018 (Investment Properties stated at fair value)
<b>Petik Mekar Sdn. Bhd.</b>					
Lot 1014, Mukim Semenyih, Daerah Ulu Langat, Selangor	Agricultural title Existing use: Vacant land	64.607	Freehold	55,684	10.07.2013
Lot 21740, Mukim Semenyih, Daerah Ulu Langat, Selangor	Agricultural title Existing use: Vacant land	10.544	Freehold	13,078	05.07.2013
<b>PT. Maju Kalimantan Hadapan</b>					
East Kalimantan, Indonesia	Oil palm plantation and office building and estate quarter (built-up area of approximately 3,959,719 sq. ft.)	39,395	Leasehold of 35 years expiring in year 2042 with an option to renew for a further period of 25 years and ^	233,988	* 25.09.2015
^ generally can be further renewed for another period of 35 years upon fulfilment of conditions					
<b>PT. Sawit Prima Sakti</b>					
East Kalimantan, Indonesia	Oil palm plantation and estate quarter (built-up area of approximately 64,626 sq. ft.)	6,043	Leasehold of 35 years expiring in year 2045 with an option to renew for a further period of 25 years and ^	74,439	2.6.2016
^ generally can be further renewed for another period of 35 years upon fulfilment of conditions					

## LIST OF PROPERTIES

AS AT 30 SEPTEMBER 2018

Location	Description and Existing Use	Land Area (acres)	Tenure	Carrying Amount As At 30-9-2018 RM'000	*Date of Revaluation/ Date of Acquisition
<b>PT. Nusantara Makmur Jaya</b>					
East Kalimantan, Indonesia	Land approved for construction of Jetty and ancillary facilities building and office (built-up area of approximately 10,979 sq. ft.)	42.698	Leasehold of 20 years expiring in year 2037 with an option to renew for a further period of 20 years and ^	1,142	19.05.2017
^ generally can be further renewed for another period of 20 years upon fulfilment of conditions					
<b>Serba Sentosa Sdn. Bhd.</b>					
Lot 456, Seksyen 7, Bandar Kajang, Daerah Ulu Langat, Selangor	Existing use: Lease out for commercial building	1.047	Leasehold expiring in year 2096	11,000	28.09.2018 (Investment Properties stated at fair value)
PT 35799, Bandar Kajang, Daerah Ulu Langat, Selangor	Land approved for commercial development Existing use: Office	1.210	Leasehold expiring in year 2096	3,026	25.07.1995
Lot 42275, Seksyen 9, Bandar Kajang, Daerah Ulu Langat, Selangor	Land approved for commercial development Existing use: Vacant land	1.857	Leasehold expiring in year 2096	4,965	25.07.1995
PT 56159, Bandar Kajang, Daerah Ulu Langat, Selangor	Land approved for commercial development Existing use: Vacant land	3.720	Leasehold expiring in year 2103	10,258	25.07.1995
PT 69670, Bandar Kajang, Daerah Ulu Langat, Selangor	Vacant commercial land	1.194	Leasehold expiring in year 2107	3,855	25.07.1995
Lot 41078 and Lot 41086, Seksyen 10, Bandar Kajang, Daerah Ulu Langat, Selangor	Vacant residential land	1.011	Freehold	953	05.08.2004
<b>Srijang Indah Sdn. Bhd.</b>					
Lot 501, Seksyen 7, Bandar Kajang, Daerah Ulu Langat, Selangor	4-storey commercial complex with built-up area of approximately 358,707 sq. ft. Existing use: 91% tenanted (building age: 11.5 years)	1.774	Leasehold expiring in year 2102	50,000	28.09.2018 (Investment Properties stated at fair value)

# LIST OF PROPERTIES

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Location	Description and Existing Use	Land Area (acres)	Tenure	Carrying Amount As At 30-9-2018 RM'000	*Date of Revaluation/ Date of Acquisition
Srijang Indah Sdn. Bhd. (Cont'd)					
Lot 43402, Bandar Baru Bangi, Daerah Ulu Langat, Selangor	1.5-storey hypermarket building with built-up area of 67,089 sq. ft. (building age: 15 years)	1.770	Freehold	14,000	28.09.2018 (Investment Properties stated at fair value)
Unit G-1, G-2 & G-3, Idaman KL 128 (Saville Residence), 128, Jalan Klang Lama, Kuala Lumpur	3 units of strata shop lot within a block of 30-storey serviced apartment with 79 bays of car park (building age: 8 years)	11,077 sq. ft. (total net lettable area)	Freehold	8,400	28.09.2018 (Investment Properties stated at fair value)
Unit G-3A, 1-3A, G-5, 1-5, G-6 & 1-6, Pangsapuri Khidmat Melawati (Saville@ Melawati), No. 2, Jalan Kolam Air, Desa Melawati, Kuala Lumpur	6 units of strata shop and office lot within two blocks of 24-storey serviced apartment with 128 bays of car park (building age: 5 years)	11,162 sq. ft. (total net lettable area)	Freehold	8,130	28.09.2018 (Investment Properties stated at fair value)
Srijang Kemajuan Sdn. Bhd.					
Part of Lot 660, 661, 662 and 663, Seksyen 10, Bandar Kajang, Part of Lot 246, 300, 1029, 1070 and 1127, Mukim Kajang, all in Daerah Hulu Langat, Selangor	Land approved for mixed development Existing use: Vacant land	235.049	Freehold	187,434	05.05.2008
Geran 94270, Lot 38631 and Geran 94269, Lot 38636, Bandar Kajang, Daerah Hulu Langat, Selangor	Agricultural title Existing use: Partly occupied	4.052	Freehold		04.01.2011
Stand Allied Corporation Sdn. Bhd.					
PT 5188, Seksyen 40, Bandar Petaling Jaya, Daerah Petaling, Selangor	Vacant commercial land	1.531	Freehold	10,591	18.07.2014
Sumber Lengkap Sdn. Bhd.					
Lot 15694, Mukim Semenyih, Daerah Ulu Langat, Selangor	Vacant residential land	3.105	Freehold	1,605	30.04.1999
Lot 15683, Mukim Semenyih, Daerah Ulu Langat, Selangor	Vacant residential land	3.184	Freehold		30.04.1999

LIST OF  
PROPERTIES  
AS AT 30 SEPTEMBER 2018

Location	Description and Existing Use	Land Area (acres)	Tenure	Carrying Amount As At 30-9-2018 RM'000	*Date of Revaluation/ Date of Acquisition
Sumber Lengkap Sdn. Bhd. (Cont'd)					
Part of Lot 15703, Mukim Semenyih, Daerah Ulu Langat, Selangor	Partly vacant residential land	1.770	Freehold	467	30.04.1999
**Suria Villa Sdn. Bhd.					
Lot 12684, Mukim Semenyih, Daerah Ulu Langat, Selangor	Land approved for mixed development Existing use: Vacant land	9.581	Freehold	277,452	07.08.2015
Lot 935, 1933, 1934, PT29942, 29943, Lot 1077 & 1640, Mukim Semenyih, Daerah Ulu Langat, Selangor	Existing use: Vacant land	74.474	Freehold		07.08.2015
PT 9781 & PT9782, Mukim Semenyih, Daerah Ulu Langat, Selangor	Existing use: Vacant land	14.560	Leasehold of 99 years expiring in 2096		07.08.2015
Lot 1935, 1936, & PT 29946, Mukim Semenyih, Selangor	Existing use: Vacant land	39.119	Freehold		19.08.2016
Vast Furniture Manufacturing (Kunshan) Co. Ltd.					
Lot 1120101015 & Lot 1120101009, 588 Airport Road, Shipu Town, Kunshan City, Jiangsu Province, Republic of China	Office, factory buildings & partial vacant land (Building age: 18 years), new factory building (building age: 13 years)	10.000	Leasehold of 50 years expiring in 2049	19,311	* 30.09.2015
MKH Berhad					
Lot No. 2 and Lot No. 8, Jalan Bukit Mewah 66, Kajang, Selangor	Two units of 2-storey shop house with built-up area of approximately 8,802 sq. ft. (building age: 20 years)	4,401 sq. ft. total land area	Freehold	1,190	* 30.09.2015

\* All revalued assets were as of 30 September 2015, except PT. Maju Kalimantan Hadapan, which was at 25 September 2015

\*\* Joint venture land

# ANALYSIS OF SHAREHOLDINGS

AS AT 31 DECEMBER 2018

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Issued and fully paid-up capital	:	RM654,458,655
No. of shares issued and paid-up	:	586,548,168
		(inclusive of 7,494,700 shares bought-back by the Company and retained as treasury shares as at 31 December 2018)
Class of equity securities	:	Ordinary shares
Voting rights by show of hand	:	One vote for every member
Voting rights by poll	:	One vote for every share held
No. of shareholders	:	6,731

## ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	Total Holdings	%
1 - 99	552	8.201	19,661	0.003
100 - 1,000	611	9.077	348,267	0.060
1,001 - 10,000	3,241	48.151	14,987,168	2.588
10,001 - 100,000	1,932	28.703	59,841,408	10.335
100,001 - 28,952,782	390	5.794	317,673,580	54.861
28,952,783 and above	5	0.074	186,183,384	32.153
Total	6,731	100.000	579,053,468	100.000

## SUBSTANTIAL SHAREHOLDERS

	Name of Shareholder	Direct Interest	No. of Shares Held		%
			%	Indirect Interest	
1	Chen Choy & Sons Realty Sdn Bhd* ("CCSR")	58,359,954	10.079	177,965,500	30.734
2	Public Bank Group Officers' Retirement Benefits Fund	53,352,059	9.214	-	-
3	Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngı Chong#	1,487,080	0.257	251,423,158	43.420
4	Tan Sri Datuk Chen Lok Loi^	10,602,844	1.831	244,079,568	42.151
5	Datuk Chen Fook Wah+	1,983,911	0.343	236,325,454	40.812

Notes :

\* Deemed interest through shares held in nominee companies.

# Deemed interest through shares held in CCSR, Lotus Way Sdn Bhd and a nominee company.

^ Deemed interest through shares held in CCSR and a nominee company.

+ Deemed interest through shares held in CCSR.



ANALYSIS  
OF SHAREHOLDINGS  
AS AT 31 DECEMBER 2018**LIST OF TOP 30 SHAREHOLDERS**

(Without Aggregating Securities From Different Securities Accounts Belonging To the Same Registered Holder)

No.	Name	Shareholdings	% <sup>(*)</sup>
1	Kenanga Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Chen Choy & Sons Realty Sdn Bhd	41,750,000	7.210
2	Amsec Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account – AmBank (M) Berhad For Chen Choy & Sons Realty Sdn Bhd	37,400,000	6.459
3	Kenanga Nominees (Tempatan) Sdn Bhd Qualifier: Public Bank Group Officers' Retirement Benefits Fund	34,553,134	5.967
4	Affin Hwang Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Chen Choy & Sons Realty Sdn Bhd	33,000,000	5.699
5	Chen Choy & Sons Realty Sdn Bhd	27,399,592	4.732
6	Chen Choy & Sons Realty Sdn Berhad	18,879,704	3.260
7	Public Invest Nominees (Tempatan) Sdn Bhd Qualifier: Public Bank Group Officers' Retirement Benefits Fund	18,798,925	3.246
8	UOBM Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Chen Choy & Sons Realty Sdn Bhd	16,700,000	2.884
9	HLB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Chen Choy & Sons Realty Sdn Bhd	15,280,500	2.639
10	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Chen Choy & Sons Realty Sdn Bhd	13,980,000	2.414
11	Chen Choy & Sons Realty Sdn Bhd	12,080,658	2.086
12	RHB Capital Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Chen Choy & Sons Realty Sdn Berhad	10,855,000	1.875
13	Tan Sri Datuk Chen Lok Loi	10,602,844	1.831
14	Maybank Securities Nominees (Tempatan) Sdn Bhd Qualifier: Maybank Investment Bank Berhad For Chen Choy & Sons Realty Sdn Bhd	9,000,000	1.554
15	RHB Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Cau Vong Holdings Sdn Bhd	7,434,247	1.284
16	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Tan Sri Dato' Chen Kooi Chiew @ Cheng Ngi Chong	6,675,000	1.153
17	Lotus Way Sdn Bhd	5,672,704	0.980

# ANALYSIS OF SHAREHOLDINGS

AS AT 31 DECEMBER 2018

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No.	Name	Shareholdings	% <sup>(-)</sup>
18	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Liberty Alliance (M) Sdn Bhd	4,954,114	0.856
19	Tan Sou Yee	4,321,494	0.746
20	Citigroup Nominees (Asing) Sdn Bhd Qualifier: CBNY For Dimensional Emerging Markets Value Fund	4,260,077	0.736
21	Yong Moh Lim	3,593,541	0.621
22	Goh Thong Beng	3,315,100	0.572
23	Low Siew Lian	3,273,787	0.565
24	United Teochew (Malaysia) Bhd	3,148,207	0.544
25	Key Development Sdn Berhad	3,101,748	0.536
26	Wong Ah Tim @ Ong Ah Tin	3,100,000	0.535
27	Citigroup Nominees (Asing) Sdn Bhd Qualifier: CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	2,915,375	0.503
28	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Employees Provident Fund Board	2,818,030	0.487
29	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Liberty Alliance (M) Sdn Bhd	2,800,000	0.484
30	Cau Vong Holdings Sdn Bhd	2,778,364	0.480
<b>TOTAL</b>		<b>364,442,145</b>	<b>62.938</b>

Note:

<sup>(-)</sup> Based on 579,053,468 ordinary shares (excluding 7,494,700 treasury shares).

**DIRECTORS'  
SHAREHOLDINGS**

AS AT 31 DECEMBER 2018

**MKH BERHAD**

Name of Directors	Direct Interest	No. of Ordinary Shares Held		%
			Indirect Interest	
Tan Sri Dato' Chen Kooi Chiew @				
Cheng Ngi Chong*	1,487,080	0.257	251,423,158	43.420
Tan Sri Datuk Chen Lok Loi^	10,602,844	1.831	244,079,568	42.151
Datuk Chen Fook Wah#	1,983,911	0.343	236,325,454	40.812
Haji Mohammed Chudi bin Haji Ghazali	67,361	0.012	-	-

Notes :-

\* Deemed interest through shares held in Chen Choy & Sons Realty Sdn Bhd ("CCSR"), Lotus Way Sdn Bhd and a nominee company.

^ Deemed interest through shares held in CCSR and a nominee company.

# Deemed interest through shares held in CCSR.

**RELATED COMPANY****- Srijang Kemajuan Sdn Bhd**

Name of Directors	Direct Interest	No. of Ordinary Shares Held		%
			Indirect Interest	
Tan Sri Dato' Chen Kooi Chiew @				
Cheng Ngi Chong	1	Negligible	-	-

## NOTICE OF THIRTY-NINTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirty-Ninth Annual General Meeting (“39th AGM”) of MKH Berhad will be held at Emerald Ballroom, 1st Floor, RHR Hotel @ Kajang, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan on Wednesday, 20 March 2019 at 10.00 a.m. to transact the following businesses:

### ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 30 September 2018 together with the Directors’ and Auditors’ reports thereon. **(Please refer to Explanatory Note A)**
2. To approve the payment of Directors’ fees amounting to RM233,333-00 for the financial year ended 30 September 2018 to the Non-Executive Directors. **(Ordinary Resolution 1)**
3. To approve the payment of Directors’ benefits (excluding Directors’ fees) to the Non-Executive Directors from 20 March 2019 until the next Annual General Meeting of the Company. **(Ordinary Resolution 2)**
4. To re-elect the following Directors who retire by rotation pursuant to Article 110(1) of the Company’s Constitution and being eligible, have offered themselves for re-election:-
  - (a) Tan Sri Datuk Chen Lok Loi **(Ordinary Resolution 3)**
  - (b) Datuk Mohammad bin Maidon **(Ordinary Resolution 4)**
  - (c) Haji Hasan Aziz bin Mohd Johan **(Ordinary Resolution 5)**
5. To re-appoint Messrs Deloitte PLT as the Company’s Auditors for the financial year ending 30 September 2019 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

### SPECIAL BUSINESS:

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

6. Ordinary Resolution  
*Authority To Issue Shares Pursuant To Sections 75 And 76 Of The Companies Act 2016*

“**THAT** subject always to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company’s Constitution and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) or party(ies) whomsoever as the Directors may in their absolute discretion, deem fit and expedient in the best interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10 per centum of the total number of issued shares of the Company for the time being and THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

**(Ordinary Resolution 7)**

NOTICE OF THIRTY-NINTH  
ANNUAL GENERAL MEETING

## 7. Ordinary Resolution

*Proposed Renewal Of Authority For The Company To Purchase Its Own Shares  
("Proposed Renewal Of Share Buy-Back")*

**"THAT** subject to the Companies Act 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Directors of the Company be and are hereby authorised to exercise the power of the Company to purchase such amount of ordinary shares in the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company subject further to the following:

- (i) the aggregate number of shares purchased does not exceed 10% of the existing number of shares of the Company ("Purchased Shares") at the point of purchase;
- (ii) the maximum funds to be allocated by the Company for the purpose of purchasing the Purchased Shares shall not exceed the total retained profits of the Company at the time of the purchase(s); and
- (iii) the authority conferred by this resolution will commence immediately upon passing of this resolution and will continue to be in force until:
  - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company unless the authority is renewed subject to conditions; or
  - (b) the expiration of the period within which the next AGM after that date is required by law to be held; or
  - (c) it is revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;
 whichever occurs first,
- (iv) upon the completion of the purchase(s) of the Purchased Shares, the Directors of the Company be and are hereby authorised to deal with the Purchased Shares in the following manner:-
  - (a) to cancel the Purchased Shares so purchased; or
  - (b) to retain the Purchased Shares so purchased as treasury shares for distribution as dividends to the shareholders and/or resold on the market of Bursa Securities; or
  - (c) to retain part of the Purchased Shares so purchased as treasury shares and cancel the remainder; or
  - (d) to deal in such other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Bursa Securities and any other relevant authorities may allow from time to time.

**AND THAT** the Directors of the Company be and are hereby authorised to take all such steps as are necessary to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and with fullest power to do all such acts and things thereafter as the Directors may deem fit and expedient in the best interest of the Company."

**(Ordinary Resolution 8)**

## NOTICE OF THIRTY-NINTH ANNUAL GENERAL MEETING

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### 8. Ordinary Resolution

*Retention Of Independent Directors/Continuing In Office As Independent Non-Executive Directors*

(a) “**THAT** approval be and is hereby given to Encik Jeffrey bin Bosra who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue to serve as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance.”

**(Ordinary Resolution 9)**

(b) “**THAT** approval be and is hereby given to Haji Mohammed Chudi bin Haji Ghazali who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years, to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next AGM of the Company in accordance with the required two-tier voting process of the Malaysian Code on Corporate Governance.”

**(Ordinary Resolution 10)**

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

### 9. Special Resolution

*Proposed Adoption Of The New Constitution Of The Company*

“**THAT** approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in **Appendix I** of Part B of the Statement/Circular to Shareholders dated 29 January 2019 accompanying the Company’s Annual Report 2018 for the financial year ended 30 September 2018 be and is hereby adopted as the Constitution of the Company;

**AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

**(Special Resolution)**

### ANY OTHER BUSINESS:

10. To transact any other business of the Company of which due notice shall have been given in accordance with the Company’s Constitution and the Companies Act, 2016.

By Order of the Board,

**TAN WAN SAN** (MIA 10195)  
Group Company Secretary  
Kajang, Selangor Darul Ehsan  
Date : 29 January 2019

NOTICE OF THIRTY-NINTH  
ANNUAL GENERAL MEETING**Notes:****1. Appointment of Proxy**

- a) A member entitled to attend and vote at the meeting is entitled to attend and vote in person or by proxy or by attorney or by duly authorised representative. A proxy or attorney or duly authorised representative may but need not be a member of the Company.
- b) The power of attorney or an office copy or a notarially certified copy thereof or the instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing. If the appointor is a corporation, it must be executed under its common seal or in the manner authorised by its constitution.
- c) 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"), the exempt authorised nominee may appoint any number of proxy (no limit) in respect of each omnibus account it holds.
- d) If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- e) Only members whose names appear in the Record of Depositors as at 14 March 2019 will be entitled to attend and vote at the meeting or appoint a proxy or proxies to attend and vote in his/her stead.
- f) The instrument appointing a proxy together with the power of attorney (if any) under which it is signed or an office copy or a notarially certified copy thereof must be deposited at the registered office at Suite 1, 5th Floor, Wisma MKH, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan, at least 48 hours before the time appointed for holding the meeting.

**2. Poll Voting**

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), all the Resolutions set out in the Notice of 39th AGM will be put to vote by poll.

**3. Explanatory Note A**

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the audited financial statements. As such, this item is not put forward for voting.

**4. Ordinary Resolution 1 - Payments Of Directors' Fees To Non-Executive Directors For Financial Year Ended 30 September 2018**

The Proposed Directors' fees of RM233,333 for the financial year ended 30 September 2018 to be shared by the following Non-Executive Directors of the Company:-

Datuk Mohammad bin Maidon	:	RM 50,000
Haji Mohammed Chudi bin Haji Ghazali	:	RM 50,000
Haji Hasan Aziz bin Mohd Johan	:	RM 50,000
En Jeffrey bin Bosra	:	RM 50,000
Haji Mohamed bin Ismail *	:	RM 33,333
<hr/>		
Total	:	RM233,333
<hr/>		

\* The late Haji Mohamed bin Ismail has passed away on 14 May 2018. The fees of RM33,333 was pro-rated according to the tenure of service of 8 months for the financial year ended 30 September 2018 (i.e. 8/12 X RM50,000).



## NOTICE OF THIRTY-NINTH ANNUAL GENERAL MEETING

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### 5. **Ordinary Resolution 2 – Payments Of Directors’ Benefits (Excluding Directors’ Fees) To Non-Executive Directors**

*Pursuant to Section 230 of the Companies Act 2016 which came into force on 31 January 2017, any fees and benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.*

*The Company is seeking shareholders’ approval on the benefits/emoluments payable to the Non-Executive Directors which comprises of meeting allowance of RM750 per meeting of the Board and Board Committees. In addition, lodging allowance of RM250 and food allowance of RM220 per day and traveling allowance of up to RM650 to be given to outstation Non-Executive Director(s) in relation to attending the meeting of the Board and Board Committees for the period commencing 20 March 2019 until the next Annual General Meeting (“AGM”) of the Company.*

### 6. **Explanatory Statement Pertaining To Special Business**

#### **Ordinary Resolution 7**

*The Proposed Ordinary Resolution 7 is for the purpose of granting a renewed mandate (“General Mandate”) and empowering the Directors of the Company, pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot new shares in the Company from time to time at such price provided that the aggregate number of shares issued pursuant to the general mandate does not exceed 10% of the total number of issued shares of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next AGM of the Company.*

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

*As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 38th AGM which will lapse at the conclusion of the 39th AGM to be held on 20 March 2019.*

#### **Ordinary Resolution 8**

*The Proposed Ordinary Resolution 8, if passed, will give authority to the Directors of the Company to exercise the power of the Company to purchase up to 10% of the existing number of shares of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held, whichever is the earlier.*

*As at 31 December 2018, a total of 7,494,700 existing shares of the Company were purchased and held as Treasury Shares.*

*The detailed information on the Proposed Renewal of Share Buy-Back is set out in the Statement/Circular to Shareholders dated 29 January 2019 which is dispatched together with the Annual Report 2018.*

#### **Ordinary Resolutions 9 And 10**

*The Nomination Committee has assessed the independence of the following Directors, who have served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years and 12 years respectively, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-*

NOTICE OF THIRTY-NINTH  
ANNUAL GENERAL MEETING**6. Explanatory Statement Pertaining To Special Business (Cont'd)****Ordinary Resolution 9: Encik Jeffrey bin Bosra**

- i) *He fulfilled the criteria under the definition of an Independent Director as stated in the MMLR of Bursa Securities, and thus, he would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board.*
- ii) *His vast experience in the auditing industry enabled him to provide the Board with proven experience and competency in advising the management and Board in term of significant accounting policies and practices that enhanced the Company's risk management as he has good knowledge of the business of the Company, and is able to exercise independent and objective judgment without fear or favour.*
- iii) *He has contributed sufficient time and effort in his capacity as an Audit Committee Chairman, and has attended all the meetings of the Board and Board Committees which he sits on for informed and balanced decision making.*

**Ordinary Resolution 10: Haji Mohammed Chudi bin Haji Ghazali**

- i) *He fulfilled the criteria under the definition of an Independent Director as stated in the MMLR of Bursa Securities, and thus, he would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board.*
- ii) *His vast experience in the banking industry enabled him to provide the Board with a diverse set of experience, expertise and independent judgment.*
- iii) *He has performed his duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the management.*
- iv) *He has contributed sufficient time and effort in his capacity as Senior Independent Non-Executive Director, and has attended 4 out of 5 of the meetings of the Board and Audit Committee which he sits on, and has participated actively in the Board and Board Committees deliberations.*

**7. Special Resolution: Proposed Adoption Of The New Constitution Of the Company**

*The Special Resolution, if passed, will bring the Constitution of the Company in line with the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, prevailing laws, guidelines or requirements of the relevant authorities as set out in the Statement/Circular to Shareholders dated 29 January 2019.*

## STATEMENT ACCOMPANYING NOTICE OF THIRTY-NINTH ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS  
OF BURSA MALAYSIA SECURITIES BERHAD)

The profiles of the Directors who are standing for re-election (as per Resolutions 3 to 5 as stated above) at the 39th Annual General Meeting of MKH Berhad are set out in the profile of Directors' section from pages 44 to 46 of the Company's Annual Report.

The information relating to the shareholding of the above Directors in the Company and its related corporation are set out on page 214 of the Company's Annual Report.

*This page has been intentionally left blank.*

I/We \_\_\_\_\_

NRIC/Passport/Company No.: \_\_\_\_\_ Mobile Phone No.: \_\_\_\_\_

CDS Account No.: \_\_\_\_\_ Number of Shares Held: \_\_\_\_\_

Address: \_\_\_\_\_

being a member of MKH Berhad hereby appoint:

1) Name of Proxy: \_\_\_\_\_ NRIC/Passport/Company No.: \_\_\_\_\_

Address: \_\_\_\_\_

Number of Shares Represented: \_\_\_\_\_

^ or failing him/her

2) Name of Proxy: \_\_\_\_\_ NRIC/Passport/Company No.: \_\_\_\_\_

Address: \_\_\_\_\_

Number of Shares Represented: \_\_\_\_\_

\* or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Thirty-Ninth Annual General Meeting of the Company to be held at the Emerald Ballroom, 1st Floor, RHR Hotel @ Kajang, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan on Wednesday, 20 March 2019 at 10.00 a.m. and at any adjournment thereof.

The proxy is to vote on the Resolutions set out in the Notice of Meeting with "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1 - Payment of Directors' Fees for financial year ended 30 September 2018		
Ordinary Resolution 2 - Payment of Directors' benefits (excluding Directors' fees) to the Non-Executive Directors of the Company		
Ordinary Resolution 3 - Re-election of retiring Director, Tan Sri Datuk Chen Lok Loi		
Ordinary Resolution 4 - Re-election of Director, Datuk Mohammad bin Maidon		
Ordinary Resolution 5 - Re-election of Director, Haji Hasan Aziz bin Mohd Johan		
Ordinary Resolution 6 - Re-appointment of Messrs Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 7 - Authority for Directors to Issue of shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Ordinary Resolution 8 - Proposed Renewal of Authority for Share Buy-Back		
Ordinary Resolution 9 - Retention of Encik Jeffrey bin Bosra as Independent Non-Executive Director		
Ordinary Resolution 10 - Retention of Haji Mohammed Chudi bin Haji Ghazali as Independent Non-Executive Director		
Special Resolution - Proposed Adoption of the New Constitution of the Company		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Signature/Common Seal of Member

\* Delete the words "or failing him/her, the Chairman of the meeting" if you do not wish to appoint the Chairman of the meeting to be your proxy

^ Delete if inapplicable

## Notes:-

1. A member entitled to attend and vote at the meeting is entitled to attend and vote in person or by proxy or by attorney or by duly authorised representative. A proxy or attorney or duly authorised representative may but need not be a member of the Company.
2. The power of attorney or an office copy or a notarially certified copy thereof or the instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing. If the appointor is a corporation, it must be executed under its common seal or in the manner authorised by its constitution.
3. 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"), the exempt authorised nominee may appoint any number of proxy (no limit) in respect of each omnibus account it holds.
4. If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. Only members whose names appear in the Record of Depositors as at 14 March 2019 will be entitled to attend and vote at the meeting or appoint a proxy or proxies to attend and vote in his/her stead.
6. The instrument appointing a proxy together with the power of attorney (if any) under which it is signed or an office copy or a notarially certified copy thereof must be deposited at the registered office at Suite 1, 5th Floor, Wisma MKH, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan, at least 48 hours before the time appointed for holding the meeting.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in the Notice of 39th Annual General Meeting will be put to vote by poll.

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Affix  
Stamp

THE COMPANY SECRETARY  
**MKH BERHAD** (50948-T)  
Suite 1, 5th Floor  
Wisma MKH  
Jalan Semenyih  
43000 Kajang  
Selangor Darul Ehsan

Please fold here

[www.mkhberhad.com](http://www.mkhberhad.com)



**MKH Berhad** (50948-T)

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