



**FARLIM GROUP (MALAYSIA) BHD**

(82275-A)

發林集團(馬)有限公司

# CONTENTS

Notice Of Thirty-Seventh Annual  
General Meeting  
**2-5**

Statement Accompanying Notice Of  
The Thirty-Seventh Annual General  
Meeting  
**6**

Corporate Information  
**7**

Corporate Structure  
**8**

Financial Highlights  
**9**

Board Of Directors  
**10**

Executive Committee  
**11**

Audit Committee  
**12**

Management Committee  
**13**

Profile Of Directors  
**14-19**

Chairman's Statement  
**20-23**

Management Discussion  
& Analysis Disclosure  
**24-30**

Audit Committee Report  
**31-32**

Corporate Governance Overview  
Statement  
**33-49**

Statement On Risk Management  
And Internal Control  
**50-53**

Statement On Additional  
Compliance Information  
**54-55**

Sustainability Statement  
**56-71**

Statement Explaining The Board  
Of Directors' Responsibility For  
Preparing The Annual Audited  
Financial Statements  
**72**

Financial Statements  
**73-170**

Statistics Of Shareholdings  
**171-173**

List Of Properties  
**174-175**

Location Map  
**176**

Share Buy-Back Statement  
**A1-A9**

Proposed Constitution  
**B1-B27**

Form Of Proxy  
**Enclosed**



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirty-Seventh Annual General Meeting of the Company will be held at Holiday Villa, Ivory 10, No. 9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 26 June 2019 at 10.00 a.m. for the following purposes:-

### Ordinary Business

1. To receive the Audited Financial Statements for the year ended 31 December 2018 and the Reports of the Directors and the Auditors thereon.

*Please refer to  
Explanatory Note A*

2. To approve the payment of Directors' Fees of RM136,800.00 and benefits totalling RM450,000.00 for the period from 1 July 2019 until the conclusion of the Thirty-Eighth Annual General Meeting.

**ORDINARY  
RESOLUTION 1**  
*(Please refer to  
Explanatory Note B)*

3. To re-elect the following Directors who retire pursuant to Article 104 of the Company's Articles of Association :-

3.1 Mr. Lim Chu Dick

**ORDINARY  
RESOLUTION 2**

3.2 Encik Khairilnuar Bin Abdul Rahman

**ORDINARY  
RESOLUTION 3**

4. To re-appoint Baker Tilly Monteiro Heng PLT as Auditors and to authorise the Directors to fix their remuneration.

**ORDINARY  
RESOLUTION 4**

### Special Business

5. To consider and, if thought fit, pass with or without modifications the following resolution as an Ordinary Resolution:-

**"THAT**, subject always to the Companies Act, 2016, the Articles of Association or Constitution of the Company and approvals of the relevant governmental and/or regulatory authorities, approval be and is hereby given for the Directors to exercise, pursuant to Section 76 of the Companies Act, 2016, the power to allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares allotted pursuant to this resolution does not exceed ten per centum (10%) of the total issued capital of the Company and that such approval shall continue in force until the conclusion of the next Annual General Meeting of the Company. "

**ORDINARY  
RESOLUTION 5**  
*(Please refer to  
Explanatory Note C)*

6. To consider and, if thought fit, pass with or without modifications the following resolution as an Ordinary Resolution:-

**"THAT**, subject to the Companies Act 2016, rules, regulations and orders made pursuant to the Companies Act 2016, the Articles of Association or Constitution of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any other relevant authority or approval for the time being in force or as may be amended from time to time, approval be and is hereby given to the Company to purchase such number of ordinary shares as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company ("Proposed Share Buy-Back"), provided that:-

**ORDINARY  
RESOLUTION 6**  
*(Please refer to  
Explanatory Note D)*

- (a) the aggregate number of ordinary shares to be purchased by the Company shall not exceed 10% of the total number of issued shares of the Company at any point in time; and

- (b) the maximum fund to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total retained profits of the Company based on the latest audited financial statements and/or the latest unaudited financial statements (where applicable) available at the time of the purchase.

**THAT** the authority conferred by this resolution shall continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting of the Company following this Annual General Meeting at which this resolution was passed at which time the said authority shall lapse unless by an ordinary resolution passed at that next Annual General Meeting, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; or
- (iii) the authority is revoked or varied by ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date, in accordance with the provisions of the guidelines issued by Bursa Malaysia Securities Berhad and/or any other relevant governmental and/or regulatory authorities (if any).

**THAT** upon completion of the purchase by the Company of its own ordinary shares, the Directors be and are hereby authorised to deal with the ordinary shares purchased at their absolute discretion in the following manners:-

- (a) cancel all the ordinary shares so purchased; and/or
- (b) retain the ordinary shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resell on the market of Bursa Malaysia Securities Berhad and/or transfer under an employees' share scheme and/or transfer as purchase consideration; and/or
- (c) retain part thereof as treasury shares and cancel the remainder.

**AND THAT** the Directors be and are hereby authorised to take all such steps as necessary (including the opening and maintaining of depository account(s) under the Securities Industry (Central Depositories) Act, 1991) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time or as the Board may at its discretion deem necessary and to do all such acts and things the Directors may deem fit and expedient in the best interest of the Company."

7. To consider and, if thought fit, pass with or without modifications the following resolution as an Ordinary Resolution:-

**"THAT** Mr. Koay Say Loke Andrew who has served the Board for a cumulative term of nine years from 22 June 2010 to 21 June 2019 be and is hereby retained as an Independent Director of the Company until the conclusion of the next Annual General Meeting."

**ORDINARY  
RESOLUTION 7**  
(Please refer to  
Explanatory Note E)

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. To consider and, if thought fit, pass with or without modifications the following resolution as a Special Resolution:-

“**THAT** approval be and is hereby given for adoption by the Company of a Constitution in place of the existing Memorandum and Articles of Association of the Company.

**AND THAT** the Board of Directors of the Company be and is hereby authorised to do all acts, deeds and things as it may deem fit and/or expedient to give full effect to adoption of the said Constitution with full powers to assent to any conditions, modifications and/or amendments as may be required by the relevant authorities.”

**SPECIAL  
RESOLUTION**  
(Please refer to  
Explanatory Note F)

### Other business

9. To transact any other business of which due notice or requisition shall have been given in accordance with the Company's Articles of Association or Constitution and the Companies Act, 2016.

By Order of the Board

**Kwong Yook Faan**  
(MAICSA 7031263)  
Company Secretary

26 April 2019

### Notes:

A member shall be entitled to appoint any person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at the Meeting. A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy.

A member may appoint one (1) proxy or more proxies in relation to the Meeting and where a member appoints more than one (1) proxy as aforesaid, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

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

If the member is a corporation, the proxy form must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.

The form of proxy or instrument appointing a proxy duly completed and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's Registered Office situated at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

For the purposes of determining whether a depositor shall be regarded as a member entitled to attend, speak and vote at this Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue pursuant to Paragraph 7.16(2) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad a Record of Depositors as at 12 June 2019 and a depositor shall not be regarded as a member entitled to attend this Meeting and to speak and vote thereat unless his/her name appears in the said Record of Depositors.

### Explanatory Notes:

- A This item of the Agenda is meant for discussion only and is not to be put as a motion for voting as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require approval of the shareholders for the Audited Financial Statements.

*B Ordinary Resolution 1 – Directors' Fees and benefits*

Pursuant to Section 230(1) of the Companies Act, 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The Directors' Fees of RM136,800.00 and benefits totalling RM450,000.00 to the Directors from 1 July 2019 until the conclusion of Thirty-Eighth Annual General Meeting are arrived at basing on that approved by the shareholders at the Thirty-Sixth Annual General Meeting.

*C Ordinary Resolution 5 – Resolution pursuant to Section 76 of the Companies Act, 2016*

The Ordinary Resolution 5 proposed under item 5 of the agenda is a renewal of the general mandate given to the Directors of the Company by the shareholders at the Thirty-Sixth Annual General Meeting to allot shares. As at the date of this Notice, no new shares in the Company were allotted pursuant to the said general mandate which will lapse at the conclusion of the forthcoming Thirty-Seventh Annual General Meeting.

The said proposed Ordinary Resolution 5, if passed, will give the Directors of the Company, from the date of the above General Meeting, power to allot shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This approval will, unless revoked or varied by the Company at a General Meeting, expire at the next Annual General Meeting.

The purpose of seeking the said general mandate is to dispense with the need from the date of this Annual General Meeting to the next Annual General Meeting to seek shareholders' approval for allotment of shares as working capital and/or otherwise as and when such need arises. Such general mandate, if given, will save the Company from any delay and cost in convening further general meetings for such purpose.

*D Ordinary Resolution 6 – Proposed Share Buy-Back up to 10% of the Total Number of Issued Shares of the Company*

The proposed Ordinary Resolution 6, if passed, will allow the Company to purchase its own shares up to 10% of the total number of issued shares of the Company at any time and from time to time within the period pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Details are set out in the Share Buy-Back Statement dated 26 April 2019 accompanying Notice of the Thirty-Seventh Annual General Meeting in this Annual Report.

*E Ordinary Resolution 7 – Retention of Independent Director*

Mr. Koay Say Loke Andrew who was appointed as Director of the Company on 22 June 2010 had on 21 June 2019 completed his service as Independent Director for nine years.

The Board of Directors has accepted the recommendation by the Nomination Committee of the Company that in view of Mr. Koay Say Loke Andrew's performance as an Independent Director being satisfactory over the years basing on its annual evaluation, Mr. Koay Say Loke Andrew be retained as an Independent Director of the Company.

The proposed Resolution 7 is to seek shareholders' approval and, if passed, will enable Mr. Koay Say Loke Andrew to be retained and continued to act as an Independent Director of the Company pursuant to Guidance 4.2 of the Malaysian Code on Corporate Governance.

*F Special Resolution – Proposed adoption of Constitution of the Company*

Pursuant to Chapter 7 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad (BMSB), a listed corporation must ensure that its Constitution shall contain the relevant provisions therein following the coming into force of the Companies Act, 2016.

The proposed Special Resolution, if passed, will enable the Company to comply with the said requirements of BMSB.

The proposed Constitution is provided at the end of this Annual Report.



# STATEMENT ACCOMPANYING NOTICE OF THE THIRTY-SEVENTH ANNUAL GENERAL MEETING

## (A) Pursuant to Appendix 8A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1.0 Directors who retire pursuant to Article 104 of the Company's Articles of Association seeking re-election at the Thirty-Seventh Annual General Meeting:-

Mr. Lim Chu Dick  
Encik Khairilnuar Bin Abdul Rahman

Further details of the above Directors who are standing for re-election are set out on Page 16 and Page 18 respectively of this Annual Report.

2.0 Details of attendance of Directors at Board Meetings held during the financial year ended 31 December 2018:-

Names of Directors	No. of Meetings	
	Held	Attended/ Meetings applicable
1. Tan Sri Dato' Seri Lim Gait Tong	6	6/6
2. Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	6	6/6
3. Mr. Lim Chu Dick	6	6/6
4. Mr. Eng Kim Leng (Resigned on 1 June 2018)	6	3/3
5. Mr. Koay Say Loke Andrew	6	5/6
6. Encik Khairilnuar Bin Abdul Rahman	6	6/6
7. Miss Adlina Hasni Binti Zainol Abidin	6	6/6

3.0 The venue, date and time of the Thirty-Seventh Annual General Meeting:-

Holiday Villa, Ivory 10, No. 9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 26 June 2019 at 10.00 a.m.

4.0 The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as set out in the relevant proposed Resolution stated in the Notice of the Thirty-Seventh Annual General Meeting of the Company. Such mandate to be sought is a renewal for issue of securities as and when the need arises. However, no issue of securities had been effected since the Thirty-Sixth Annual General Meeting and as such, no proceeds had been received.

## (B) Pursuant to Paragraph 12.06 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Details of the Proposed Share Buy-Back referred to in Ordinary Resolution 6 proposed under item 6 of the Agenda set out in the above Notice and Explanatory Note D in the said Notice are contained in the Share Buy-Back Statement provided at the end of this Annual Report.

## BOARD OF DIRECTORS

Tan Sri Dato' Seri Lim Gait Tong (Chairman)  
  
Datuk Seri Haji Mohamed Iqbal  
Bin Kuppa Pitchai Rawther (Deputy Chairman)  
  
Lim Chu Dick

Koay Say Loke Andrew  
  
Khairilnuar Bin Abdul Rahman  
  
Adlina Hasni Binti Zainol Abidin

## AUDIT COMMITTEE

Koay Say Loke Andrew (Chairman)  
Khairilnuar Bin Abdul Rahman  
Adlina Hasni Binti Zainol Abidin

## NOMINATION COMMITTEE

Khairilnuar Bin Abdul Rahman (Chairman)  
Koay Say Loke Andrew  
Adlina Hasni Binti Zainol Abidin

## REMUNERATION COMMITTEE

Adlina Hasni Binti Zainol Abidin (Chairperson)  
Koay Say Loke Andrew  
Khairilnuar Bin Abdul Rahman

## RISK MANAGEMENT COMMITTEE

Koay Say Loke Andrew (Chairman)  
Khairilnuar Bin Abdul Rahman  
Adlina Hasni Binti Zainol Abidin  
Lim Chu Dick

## SECRETARY

Kwong Yook Faan (MAICSA 7031263)

## REGISTERED OFFICE

No. 2-8 Bangunan Farlim  
Jalan PJS 10/32  
Taman Sri Subang  
46150 Petaling Jaya  
Selangor Darul Ehsan  
T: (03) 5635 5533  
F: (03) 5635 0301

## SHARE REGISTRARS

Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.)  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
T: (03) 7849 0777  
F: (03) 7841 8151/8152/8100

## AUDITORS

Baker Tilly Monteiro Heng PLT  
Chartered Accountants  
Baker Tilly Tower  
Level 10, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur  
T: (03) 2297 1000  
F: (03) 2282 9980

## PRINCIPAL BANKERS

Public Bank Berhad  
RHB Bank Berhad  
Bank of China (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

## WEBSITE

[www.farlim.com.my](http://www.farlim.com.my)

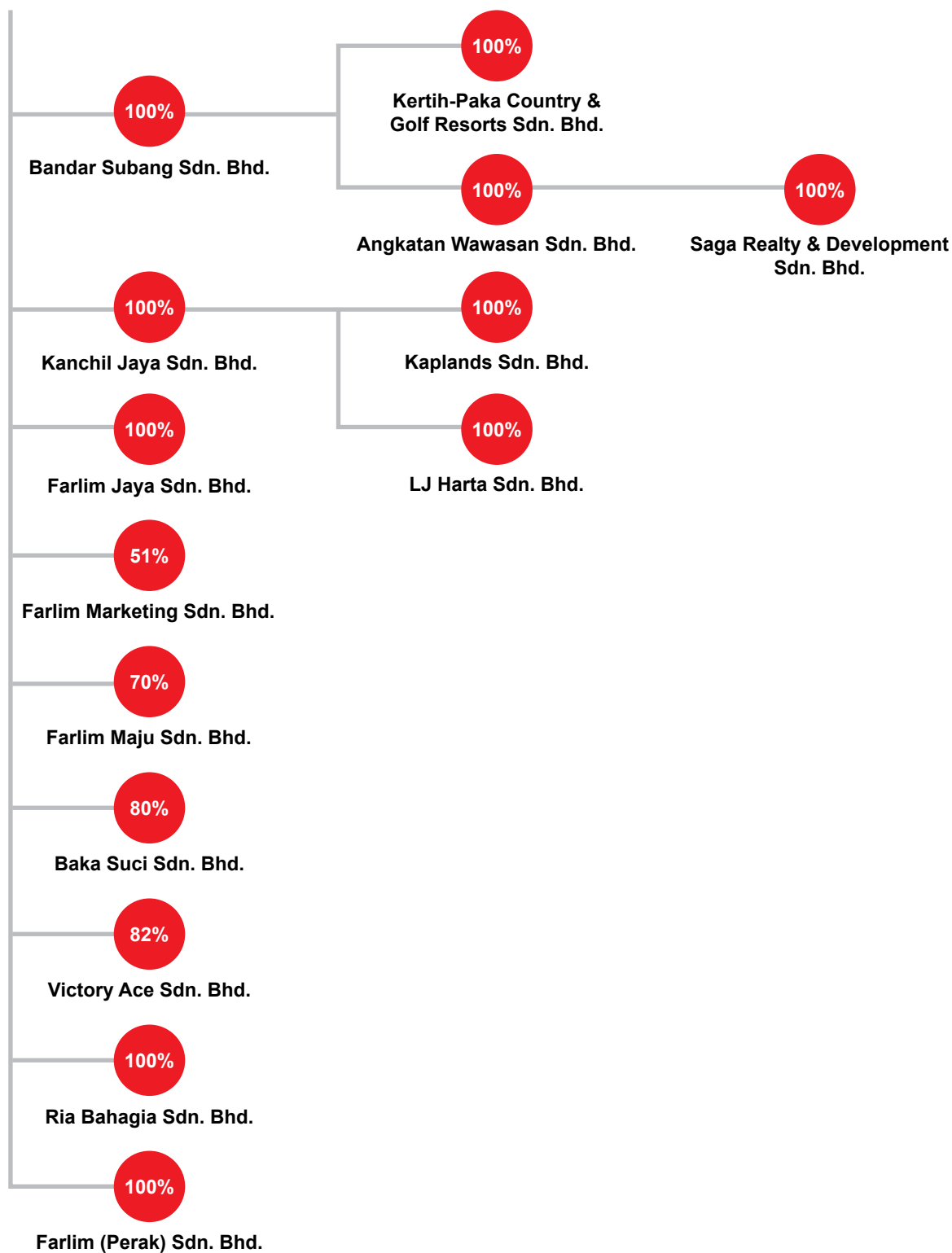


# CORPORATE STRUCTURE

AS AT 26 MARCH 2019



**FARLIM GROUP  
(MALAYSIA) BHD** (82275-A)  
發林集團(馬)有限公司



# FINANCIAL HIGHLIGHTS

## REVENUE

	2018 RM'000	2017 (Restated) RM'000	2016 (Restated) RM'000	2015 (Restated) RM'000	2014 (Restated) RM'000
Turnover	10,133	26,554	41,894	46,391	24,914
Profit/(Loss) Before Tax	(730)	10,791	18,610	18,234	56,409
Profit/(Loss) After Tax	(744)	7,653	13,833	12,957	47,157
Weighted Average Number of Shares In Issue ('000 shares)	168,391	168,391	168,391	168,391	168,391
Gross Earnings/(Loss) Per Share (sen)	(0.43)	6.41	11.05	10.83	33.50
Net Earnings/(Loss) After MI Per Share (sen)	(0.41)	4.65	7.44	7.55	27.97

## BALANCE SHEETS

	2018 RM'000	2017 (Restated) RM'000	2016 (Restated) RM'000	2015 (Restated) RM'000	2014 (Restated) RM'000
Paid-up Capital	169,042	169,042	140,326	140,326	140,326
Shareholders' Funds	171,189	171,877	166,870	157,149	151,457
Net Tangible Assets	168,219	168,907	163,900	154,179	148,487
Net Tangible Assets Per Share (RM)	1.00	1.00	0.97	0.92	0.88
Net Assets Per Share (RM)	1.02	1.02	0.99	0.93	0.90

## BOARD OF DIRECTORS



**ENCIK  
KHAIRILANUAR  
BIN ABDUL  
RAHMAN**

**MR. KOAY SAY  
LOKE ANDREW**

**DATUK SERI  
HAJI MOHAMED  
IQBAL BIN  
KUPPA PITCHAI  
RAWTHER  
(Deputy Chairman)**

**TAN SRI DATO'  
SERI LIM GAIT  
TONG (Chairman)**

**MR. LIM  
CHU DICK**

**MISS ADLINA  
HASNI BINTI  
ZAINOL  
ABIDIN**

## EXECUTIVE COMMITTEE



**DATUK SERI HAJI  
MOHAMED IQBAL BIN  
KUPPA PITCHAI RAWTHER**

**TAN SRI DATO' SERI LIM  
GAIT TONG** *(Chairman)*

**MR. LIM CHU DICK**

## AUDIT COMMITTEE



**ENCIK KHAIRILANUAR  
BIN ABDUL RAHMAN**

**MR. KOAY SAY LOKE  
ANDREW (*Chairman*)**

**MISS ADLINA HASNI  
BINTI ZAINOL ABIDIN**





**MR. LIM HOCK ENG**

**MR. CHENG  
CHEANG TECK**

**MADAM OOI POH  
TIN (Chairman)**

**MR. KWONG  
YOOK FAAN**



## PROFILE OF DIRECTORS

### TAN SRI DATO' SERI LIM GAIT TONG

- Aged 76, Malaysian, Male

*Executive and Non-Independent,  
Also as Chief Executive and a person  
of the Key Senior Management*

He started his business career as a contractor with his father's construction business at the age of 15 and subsequently commenced his own construction company, Lim Gait Tong Construction, as a sole proprietorship in 1959. In 1962, he was awarded the Society Anonyme Des Etains De Kinta ("SEK") Mining Relocation Contract for 200 units of houses, the Kampar railway station and the Kampar market. In 1964, following a massive landslide, he rebuilt a sizable portion of the Ringlelet and Brinchang townships in Cameron Highlands. In the same year, he obtained his JKR Class C Status which permitted him to tender for jobs throughout the Federation.

From 1964 to 1968, he undertook various projects under Lim Gait Tong Construction and his family's development company. He was involved extensively in meeting the construction requirements of Island and Peninsular Group of Companies in Penang. He was the main contractor for the Island Park and Jesselton Heights housing projects, which were then among the biggest private sector efforts in Penang.

Thereafter, from 1969 to 1975, he completed the Taman Evergreen and Taman Goodwood projects in Old Klang Road, Kuala Lumpur. He was instrumental to the development of Taman Cheras Utama project in Cheras, Kuala Lumpur and Taman KKB Utama project in Kuala Kubu Bahru through an affiliated company, Perumahan Farlim Sdn. Bhd. He initiated the development of Bandar Baru Ayer Itam, which is the biggest private sector development in Penang. In recognition of his achievement in the construction/property sectors and contribution to the society, he was conferred the Grand Fellowship Award by the British Graduates Association Malaysia. Currently, he is the Chairman, Chief Executive and Managing Director of Farlim Group (Malaysia) Bhd.

He joined Farlim Group (Malaysia) Bhd. as a first Director on 12 March 1982. He is the Chairman of the Executive Committee comprising Members of the Board. He holds 12,000 shares and has deemed interest in 72,685,480 shares through Farlim Holding Sdn. Bhd., the holding company, in Farlim Group (Malaysia) Bhd. He does not hold any shares in the subsidiaries of Farlim Group (Malaysia) Bhd. except the following:-

- |                          |   |               |
|--------------------------|---|---------------|
| 1. Baka Suci Sdn. Bhd.   | - | 10,002 shares |
| 2. Victory Ace Sdn. Bhd. | - | 2 shares      |

He does not hold any Directorship in other public companies.

He is the father of Mr. Lim Chu Dick, Executive Director of Farlim Group (Malaysia) Bhd. and Director and Shareholder of its holding company Farlim Holding Sdn. Bhd., spouse of Puan Sri Datin Seri Chin Chew Lin, Director and Shareholder of the said holding company and father-in-law of Mr. Wong Hon Weng, Executive Director of the said holding company and he, Puan Sri Datin Seri Chin Chew Lin and Mr. Lim Chu Dick are Directors and Shareholders of a corporate shareholder of the said holding company. Save as above, he has no family relationship with Directors and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that, if any, set out in the Statement on Additional Compliance Information and/or the Financial Statements for the year ended 31 December 2018. He has no convictions for offences within the past five years other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year. He attended all of the six Board Meetings held during the financial year ended 31 December 2018. He is not among the Independent Directors who make up one-third of the total number of Directors.



## DATUK SERI HAJI MOHAMED IQBAL BIN KUPPA PITCHAI RAWTHER

- Aged 75, Malaysian, Male

*Executive and Non-Independent*

He obtained a Certificate in Education from the University of Birmingham in 1964. Subsequently, he obtained his Bachelor of Economics Degree (Honours) and a Masters Degree in Business Administration in 1971 and 1973 respectively, both from the University of Malaya. He then furthered his studies and obtained the International Management Teacher's Programme certificate from the joint programme organised by the Harvard Graduate School of Business Administration and the Centre D'Enseignement Superior Des Affairs, Paris, France in 1978.

Currently, he is a Fellow of the Chartered Institute of Bankers, London, and a Fellow Executive of the Malaysian Institute of Management.

He started his career with the Ministry of Education from 1965 to 1969. During this period, he also served

as the National Education Officer of the National Union of Teaching Professionals. In 1971, he joined Malaysian International Merchant Bank Berhad as Corporate Finance Officer during which he pioneered leasing and produced a research volume on "Leasing in Malaysia" before leaving in 1974. In 1974 when the University of Malaya implemented the policy of using Bahasa Malaysia for tertiary education, he responded to a call from the University and joined the Faculty of Economics and Administration as a lecturer. Among his many achievements include being awarded the Sir Frederick Gallahan Memorial Award by the Australian-Malaysian Association of Australia in 1976 in recognition of his entrepreneurial management in Malaysia. Also, a team led by him to promote entrepreneurial management in Malaysia won the Malaysian Young Managers Competition in 1997 and subsequently, the Asian Young Managers Competition in the same year. When Bank Negara Malaysia set up the Institute of Bankers in 1979, he took up the appointment as Executive Director. He relinquished the position in 1985 and has since been involved in the private sector, including his current commitments to Farlim Group (Malaysia) Bhd. He also served on the Council of the Malaysian Institute of Management ("MIM") from 1984 to 1991 and concurrently held the positions of MIM's Vice-Chairman and Chairman of its Management Committee from 1989 to 1991. He has also served as an Adviser to the Peace and Happiness through Prosperity Institute in Japan from 1984 to 1990 and Japan's Foundation for Asian Management Development from 1989 to 1992. Currently, he is the Deputy Chairman and Group Executive Director of Farlim Group (Malaysia) Bhd.

He joined Farlim Group (Malaysia) Bhd. as a Director on 4 May 1982. He sits on the Executive Committee comprising Members of the Board and is the Chairman of Employees' Share Option Scheme Committee of the Company. He holds 12,000 shares in Farlim Group (Malaysia) Bhd. He does not hold any shares in the subsidiaries of Farlim Group (Malaysia) Bhd. He does not hold any Directorship in other public companies. He does not have any family relationship with any Director and major/substantial shareholder of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that, if any, set out in the Statement on Additional Compliance Information and/or the Financial Statements for the year ended 31 December 2018. He has no convictions for offences within the past five years other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He attended all of the six Board Meetings held during the financial year ended 31 December 2018. He is not among the Independent Directors who make up one-third of the total number of Directors.



## PROFILE OF DIRECTORS (CONT'D)

### LIM CHU DICK

- Aged 35, Malaysian, Male

*Executive and Non-Independent*

He was appointed as a Director of Saga Realty & Development Sdn. Bhd., an indirect subsidiary of Farlim Group (Malaysia) Bhd. on 29 September 2009 and as an assistant to the Chairman & Chief Executive of Farlim Group (Malaysia) Bhd.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 22 June 2010. He sits on the Executive Committee, Risk Management Committee and Employees' Share Option Scheme Committee of the Company. He does not hold any Directorship in other public companies. He has deemed interest in 72,685,480 shares through Farlim Holding Sdn. Bhd., the holding company, in Farlim Group (Malaysia) Bhd. He does not hold any shares in the subsidiaries of Farlim Group (Malaysia) Bhd. except Farlim Marketing Sdn. Bhd. with 76,250 shares.

He represented Malaysia as a panelist at the 1st "Young Observers Roundtable discussion" at the BOAO FORUM FOR ASIA 2014.

He is the son of Tan Sri Dato' Seri Lim Gait Tong, Chairman, Chief Executive and Managing Director of Farlim Group (Malaysia) Bhd. who is also Director and Shareholder of its holding company Farlim Holding Sdn. Bhd. and Director and Shareholder of a corporate shareholder of the said holding company, son of Puan Sri Datin Seri Chin Chew Lin, Director and Shareholder of Farlim Holding Sdn. Bhd. and Director and Shareholder of a corporate shareholder of the said holding company and brother-in-law of Mr. Wong Hon Weng, Director of Farlim Holding Sdn. Bhd. He is also Director and Shareholder of the said corporate shareholder of the holding company. Save as above, he has no family relationship with Directors and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that, if any, set out in the Statement on Additional Compliance Information and/or the Financial Statements for the year ended 31 December 2018. He has no convictions for offences within the past five years other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He attended all of the six Board Meetings held during the financial year ended 31 December 2018. He is not among the Independent Directors who make up one-third of the total number of Directors.





### KOAY SAY LOKE ANDREW

- Aged 53, Malaysian, Male

*Non-Executive and Independent*

He is an advocate and solicitor by profession. He graduated from Monash University, Australia with a Bachelor of Economics Degree, majoring in Accounting and a Bachelor of Law Degree in 1987.

He subsequently obtained a Master in Law Degree from Monash University in 1994. Upon obtaining his Bachelor Degree, he worked with an accounting firm, Nelson Parkhill BDO in Australia and became an Associate Member of the Institute of Chartered Accountants, Australia in 1991.

He advanced to become a Fellow Member of the Institute of Chartered Accountants, Australia in 2002. He was enrolled as a Barrister and Solicitor of the Supreme Court

of Victoria, Australia and the Federal Court of Australia in 1988 and has been a member of the Law Institute of Victoria, Australia since 1991.

Upon his return to Malaysia, he was enrolled as an Advocate and Solicitor of the High Court of Malaya in 1995. He is now practising as a partner of Koay & Co. in Penang.

He was appointed as a Director of Penang Commercial & Industrial Development Berhad, a public company, on 16 August 2000. He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 22 June 2010. He is the Chairman of Audit Committee and Risk Management Committee. He sits on the Nomination Committee of Directors, Remuneration Committee of Directors and Employees' Share Option Scheme Committee of the Company. He holds 2,400 shares in Farlim Group (Malaysia) Bhd. He does not hold any shares in the subsidiaries of Farlim Group (Malaysia) Bhd. He does not hold any Directorship in other public companies. He does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that, if any, set out in the Statement on Additional Compliance Information and/or the Financial Statements for the year ended 31 December 2018. He has no convictions for offences within the five years other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He attended five out of six Board Meetings held during the financial year ended 31 December 2018. He is among the Independent Directors who make up one-third of the total number of Directors.



## PROFILE OF DIRECTORS (CONT'D)

### KHAIRILANUAR BIN ABDUL RAHMAN

- Aged 53, Malaysian, Male

*Non-Executive and Independent*

He graduated from the Institute of Technology Mara in 1988. He started his career by managing a petrol kiosk from 1989 to 1993.

He has been an Executive Chairman of Infinity Prospect Sdn. Bhd. since 1993 and was also an Independent and Non-Executive Director of Personix Holdings Berhad from February 2002 to 19 September 2011.

He has been an Independent and Non-Executive Director of Muar Ban Lee Group Berhad since 30 June 2009 and an Independent and Non-Executive Director and Audit Committee Member of Unimech Group Berhad since 1 October 2013.

He served as an Independent and Non-Executive Director of UDS Capital Bhd. from 30 November 2003 to 16 February 2009. He also served as an Independent and Non-Executive Director of Denko Industrial Corp. Bhd. from 11 June 2004 to 1 October 2005.

He was a Committee Member of UMNO Youth, Kepala Batas Division since 2001 to 2008.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 18 August 2011. He is the Chairman of Nomination Committee of Directors. He sits on the Audit Committee, Remuneration Committee of Directors, Risk Management Committee and Employees' Share Option Scheme Committee of the Company. He does not hold any shares in Farlim Group (Malaysia) Bhd. and its subsidiaries. He does not hold any Directorship in other public companies other than that disclosed above. He does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that, if any, set out in the Statement on Additional Compliance Information and/or the Financial Statements for the year ended 31 December 2018. He has no convictions for offences within the past five years other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He attended all of the six Board Meetings held during the financial year ended 31 December 2018. He is among the Independent Directors who make up one-third of the total number of Directors.



### ADLINA HASNI BINTI ZAINOL ABIDIN

- Aged 53, Malaysian, Female

*Non-Executive and Independent*

She is an Advocate and Solicitor. She obtained her Bachelor of Science in Business Administration degree in 1987 from the University of Denver, Colorado, United States of America. She started her career as a Corporate Banking Officer in 1988 with Ban Hin Lee Bank, (now known as CIMB Bank Berhad) Penang. Thereafter, in 1991 she pursued her law degree at the University of Wales, Aberystwyth, United Kingdom and obtained her LLB (Hons) in 1993. She was subsequently admitted as a Barrister-at-Law of the Honourable Society of Gray's Inn, London in 1994.

Upon being admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1995, she served as a Legal Assistant with Messrs Chin Eng & Co. She has been a Partner with the legal firm of Messrs Chin Eng Adlina since 1997 until present. She is currently registered with the Malaysia Mediation Centre as one of the Panel of Mediators.

She was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 23 April 2015. She is the Chairperson of Remuneration Committee of Directors. She sits on the Audit Committee, Nomination Committee of Directors, Risk Management Committee and Employees' Share Option Scheme Committee of the Company. She does not hold any shares in Farlim Group (Malaysia) Bhd. and its subsidiaries. She does not hold any Directorship in other public companies. She does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

She does not have any conflict of interest with the Company other than that, if any, set out in the Statement on Additional Compliance Information and/or the Financial Statements for the year ended 31 December 2018. She has no convictions for offences within the past five years other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

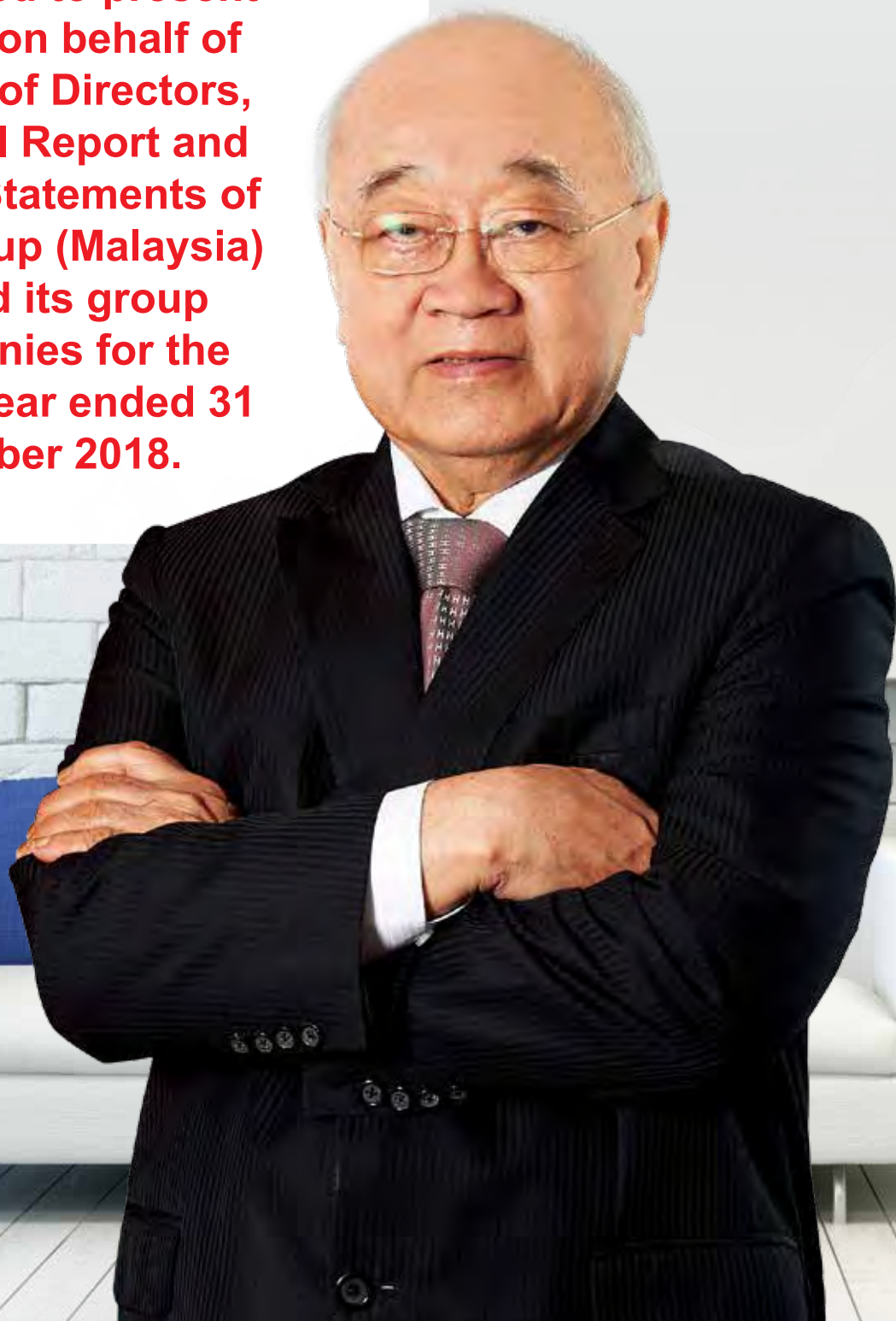
She attended all of the six Board Meetings held during the financial year ended 31 December 2018. She is among the Independent Directors who make up one-third of the total number of Directors.





## CHAIRMAN'S STATEMENT

**I am pleased to present  
herewith, on behalf of  
the Board of Directors,  
the Annual Report and  
Financial Statements of  
Farlim Group (Malaysia)  
Bhd. and its group  
of companies for the  
financial year ended 31  
December 2018.**



The global economic growth had in the year 2018 been heading towards a softening magnitude attributed by, inter alia, slowing down of industrial production, trade tensions arising from tariff imposition by certain major economies and retaliatory measures as well as escalation in cost of funds. The strengthening of major economies may not contribute to a significant degree to the deceleration of global advanced-economic growth and uncertainty of the global economic landscape.

In the year 2018, the economy of Malaysia has sailed through a series of challenges following the change of administration. The new government has been actively embarking on various measures to arrest the financial dip and to bring about diminution of national debts. While the yield in the short term may not be encouraging, much improvement will, we hope, be harvested in the long term. The achievement of 4.7% GDP of Malaysia in 2018 amidst macro economic turbulence and uncertainty may pose greater challenges in the year ahead.

The property market in Malaysia may, consequent upon the positive measures initiated by the new administration, stimulate growth and contribute positively to the domestic economy. It is hoped that the implementation by the public and private sectors of housing programmes will serve as a catalyst for securing a favourable climate in the property market.

## FINANCIAL PERFORMANCE

The Group had in the year under review registered a loss before tax of RM729,522.00 against the profit before tax of RM10.8 million for the financial year ended 31 December 2017. The turnover for the year 2018 was RM10 million against RM27 million in the previous year.

## DIVIDEND

The Board of Directors does not recommend payment of any dividend in respect of the financial year ended 31 December 2018.

## OVERVIEW OF THE GROUP'S OPERATIONS

In the year under review, the Group had while providing amenities and commercial or other products to serve the community in development projects via development of low/medium cost residential units to cater for the needs of the lower/middle income group worked towards development of affordable and quality homes in new projects.

The Group had in the year 2018 continued its plan to enhance its land banks and source land banks and new projects as a strategy for improvement of profitability of the Group's operations.

## PROSPECTS

Notwithstanding the uncertainty of global and domestic economic scenario, the various positive measures being formulated for implementation for economic growth will, it is envisaged, be comforting attributes to look forward to, for a brighter economic future domestically with macro contributing factors in the year ahead.

## ACKNOWLEDGEMENTS

I would like, on behalf of the Board of Directors, to accord my appreciation to the management and staff of Farlim Group (Malaysia) Bhd. and its group of companies for their hard work and contribution to the Group in the year 2018.

I wish also to express my gratitude to my fellow Directors for their commitment during the year towards achievement of our corporate objectives.

Finally, I would like, on behalf of the Group, to thank our valued shareholders, customers and business associates and the authorities for their support rendered to the Group during the year under review.

**Tan Sri Dato' Seri Lim Gait Tong**  
Chairman

## PENYATA Pengerusi

**Saya, bagi pihak Lembaga Pengarah, dengan sukacita mempersembahkan Laporan Tahunan dan Penyata Kewangan untuk Farlim Group (Malaysia) Bhd. serta kumpulan syarikat-syarikat bagi tahun kewangan berakhir 31 Disember 2018.**

Pada tahun 2018, keadaan ekonomi antarabangsa semakin lembap disebabkan oleh beberapa faktor, termasuk pengurangan dalam produksi industri, ketegangan perdagangan akibat pengenaan tarif oleh beberapa kuasa ekonomi utama dan langkah-langkah balasan serta peningkatan dalam kos dana. Lebih-lebih lagi, pengukuhan ekonomi-ekonomi utama mungkin tidak berdaya memberi sumbangan yang ketara untuk mengatasi kemerosotan pertumbuhan ekonomi maju antarabangsa dan ketidakpastian landskap ekonomi antarabangsa.

Ekonomi Malaysia pada tahun yang ditinjau menghadapi beberapa cabaran berikutan pertukaran dalam pentadbiran negara. Kerajaan baru telah aktif dalam memperkenalkan beberapa langkah untuk mengatasi penurunan kewangan dan seterusnya mengurangkan hutang nasional. Walaupun hasil jangka pendek tidak begitu menggalakkan. Kami berharap bahawa dalam jangka masa panjang, pelbagai penambahbaikan akan dinikmati. Pencapaian KDNK sebanyak 4.7% pada 2018 di pertengahan pergolakan dan ketidakpastian ekonomi makro mungkin akan membawa lebih banyak cabaran pada tahun akan datang.

Dengan langkah-langkah positif yang dimulakan oleh kuasa pentadbiran baru, pasaran hartanah Malaysia mungkin akan merangsangkan pertumbuhan dan seterusnya menyumbang kepada ekonomi domestik. Adalah diharapkan bahawa pengimplimentasian program-program perumahan oleh sektor-sektor awam dan swasta akan menjadi pemangkin demi mewujudkan suasana pasaran hartanah yang menguntungkan.

### PRESTASI KEWANGAN

Pada tahun yang ditinjau, Kumpulan telah mencatatkan kerugian sebelum cukai sebanyak RM729,522.00 berbanding dengan keuntungan sebelum cukai sebanyak RM10.8 juta bagi tahun kewangan berakhir 31 Disember 2017. Seterusnya, perolehan bagi tahun 2018 berjumlah RM10 juta berbanding dengan RM27 juta pada tahun sebelumnya.

### DIVIDEN

Lembaga Pengarah tidak mengesyorkan sebarang bayaran dividen bagi tahun kewangan berakhir 31 Disember 2018.

### TINJAUAN OPERASI KUMPULAN

Semasa tahun yang ditinjau, Kumpulan telah meneruskan usaha-usaha projek pembangunan kediaman mampu-milik dan berkualiti serta menawarkan kemudahan dan komersial atau produk lain yang dapat memanfaatkan komuniti dalam projek-projek pembangunan kediaman kos rendah/serdhana untuk memenuhi keperluan golongan berpendapatan rendah/serdhana.

Pada tahun 2018, Kumpulan telah meneruskan pelan untuk menambahbaikkan sumber tanah sedia ada dan memperolehi sumber tanah baru serta memperkenalkan projek-projek baru sebagai strategi untuk menjana keuntungan bagi operasi Kumpulan.

### PROSPEK-PROSPEK

Walaupun dengan ketidakpastian suasana ekonomi antarabangsa dan domestik, langkah-langkah positif yang dirumuskan untuk merangsangkan pertumbuhan ekonomi diharap akan menyumbang kepada masa depan ekonomi yang lebih cerah dalam gelanggang domestik bersama faktor-faktor sumbangan makro pada tahun seterusnya.

### PENGHARGAAN

Saya, bagi pihak Lembaga Pengarah, ingin mengucapkan terima kasih kepada pihak pengurusan dan kakitangan Farlim Group (Malaysia) Bhd. serta kumpulan syarikat-syarikat atas kerja keras dan sumbangan mereka pada tahun 2018.

Saya juga ingin melafazkan penghargaan kepada para Pengarah atas komitmen mereka sepanjang tahun ke arah mencapai objektif-objektif korporat.

Akhir sekali, saya, bagi pihak Kumpulan, turut berterima kasih kepada para pemegang saham, pelanggan dan rakan perniagaan serta pihak-pihak berkuasa berkenaan atas sokongan mereka semasa tahun yang ditinjau.

**Tan Sri Dato' Seri Lim Gait Tong**  
Pengerusi

我很高兴代表董事会，提呈发林集团（马）有限公司及属下公司截至2018年12月31日的常年报告和财务结册。

2018年的全球经济成长乃趋向软化幅度，其中的因素包括工业产量缓慢，一些主要经济体征税引发的贸易关系紧张和反击措施以及资金成本提高。主要经济体强化对速减的全球发达经济增长和全球不明朗的经济前景而言在极大程度上也许不能产生作用。

马来西亚在2018年的经济随着政府的更换已经历了一连串的挑战。新政府为了挽救财务趋下和减低国债已积极采取了各项措施。虽然在短期内可能效果不令人鼓舞，我们希望这些措施在长期内将能带来更好的效益。马来西亚在2018年宏观经济动荡和经济前景不明朗中取得4.7%国民生产总值率对未来一年的挑战乃更艰巨。

马来西亚的产业市场随着新政府采取了积极措施可刺激经济增长和对国内的经济带来正面的贡献。我们希望公共和私人领域所进行的房屋计划将成为产业市场有利气候的催化剂。

## 财务表现

本集团在过去一年，税前亏损为七十二万九千五百二十二令吉，而截至2017年12月31日财政年度的税前盈利为一千零八十万令吉。集团于2018年的营业额为一千万令吉，较早一年取得两千七百万令吉的营业额。

## 股息

董事会建议在截至2018年12月31日的财政年度不派发股息。

## 集团营运总观

在过去一年本集团除了为社区提供基本及商业设施或其他发展项目之外，亦致力在新项目中通过发展低/中价住宅单位提供实惠和优质居所，以迎合低/中层收入人士的需求。

本集团在2018年继续依其提升集团营运盈利的策略推行扩展土地库以及探寻新发展项目的计划。

## 前景

虽然面对全球和国内经济情势不明朗，国内所采取并推行经济增长的各项积极措施将是我们期望在未来一年宏观有利因素下为国内经济带来更美好前景的助力。

## 鸣谢

我谨代表董事会，感谢发林集团（马）有限公司及属下公司的管理层和员工在2018年为集团作出贡献。

本人亦对公司董事在这一年来对本集团目标的落实作出承担表示感激。

最后，我代表本集团对我们的股东，客户和商业伙伴以及有关当局在过去一年给予本集团支持表示谢意。

丹斯里拿督斯里林玉唐  
董事主席兼总裁

# MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE

## 1. OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

### Company Profile

- The Group is principally involved in property development, investment holding, marketing and distribution of building materials. Besides the property development in Penang, our Group also has development in Selangor and Perak.
- The main thrust of the Group's activities is the development of a new township known as Bandar Baru Ayer Itam in Penang island. The township is located in a targeted growth area, 4.8 km from Georgetown. It represents the single largest development undertaken by a private sector developer in Penang Island, covering 356 acres and comprising more than 13,000 residential and commercial units. Bandar Baru Ayer Itam has been transformed into a fully integrated township which comprised of commercial centre offering various services like hypermarket, banks, pharmacies, clinics, restaurants, post office, petrol kiosk, kindergartens, police station and many others. The development in the Bandar Baru Ayer Itam township is expected to be fully completed by 2021.
- In 2018, the Group has commenced construction of quality homes at affordable pricing on its land bank of 92.74 acres in Mukim Bidor, Daerah Batang Padang, Perak. During the financial year, Phase 1 comprising of 80 units of single storey medium cost terrace houses and 22 units of 2-storey affordable terrace houses have been launched out of the 3 phases of approved development of 334 units of medium cost and affordable houses.
- In addition, the Group's other land bank measuring 96.8 acres in Mukim Teja, Daerah Kampar, Perak is earmarked for building of affordable housing to cater to the continuing needs of the general public.
- Over the years, the Group has been conferred three awards i.e. the Prime Minister's 1990 Quality Award, the 1992 Malaysian Institute of Planners "Excellence in Urban Planning" Award and Champion for the 2011 Jabatan Kerja Raya Contractors Excellence Award.

### Highlights of Group Financial Information

#### Financial

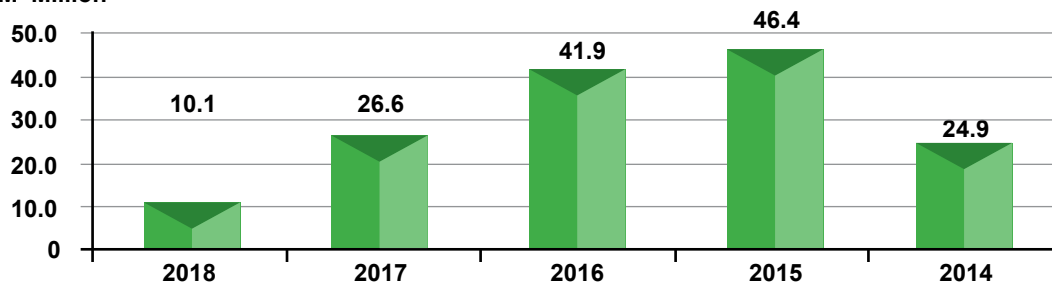
Particulars	Year 2018	Year 2017 (Restated)	Year 2016 (Restated)	Year 2015 (Restated)	Year 2014 (Restated)
Revenue (RM'000)	10,133	26,554	41,894	46,391	24,914
Profit/(loss) before tax (RM'000)	(730)	10,791	18,610	18,234	56,409
Finance costs (RM'000)	38	22	22	22	14
Net profit/(loss) (RM'000)	(744)	7,653	13,833	12,957	47,157
Shareholders' equity (RM'000)	171,189	171,877	166,870	157,149	151,457
Total assets (RM'000)	184,587	186,337	183,516	177,537	172,621
Borrowings (RM'000)	83	389	540	387	532
Total Liabilities (RM'000)	11,578	12,583	14,592	19,637	20,667
Debt/Equity (%)	6.76	7.32	8.74	12.50	13.65
Earnings/(loss) per share (Sen)	(0.41)	4.65	7.44	7.55	27.97
Net assets per share (RM)	1.02	1.02	0.99	0.93	0.90
Dividend per share (Sen)	—	—	1.67	1.67	4.17



# MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE (CONT'D)

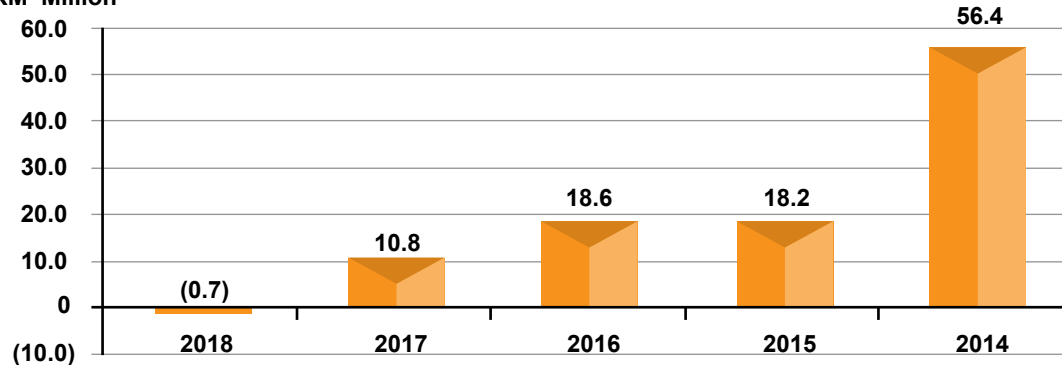
## Revenue

RM 'Million



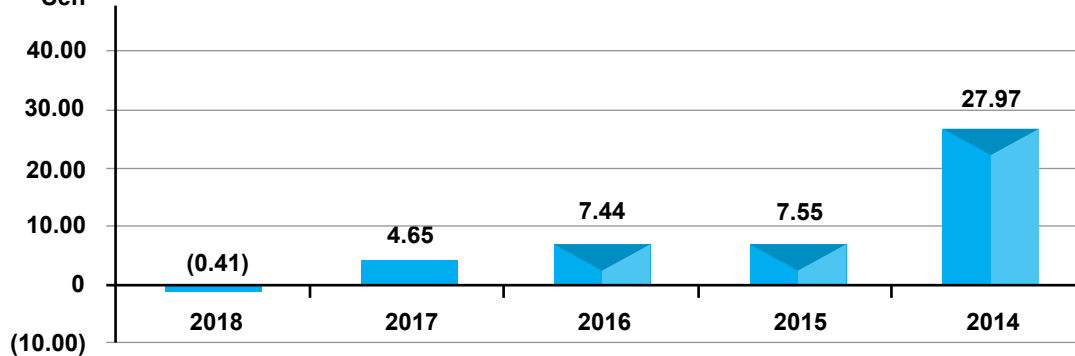
## Profit/(Loss) Before Tax

RM 'Million



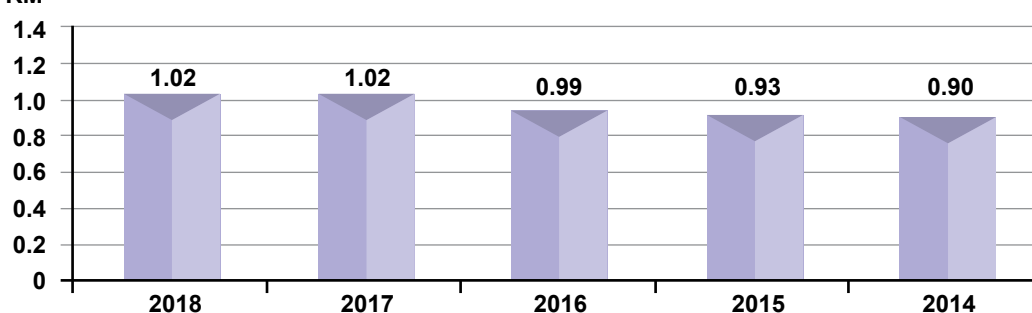
## Earnings/(Loss) Per Share

Sen



## Net Assets Per Share

RM





## MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE (CONT'D)

Earnings per share (EPS), net assets per share (NAPS) and dividend per share (DPS) for the financial year 2018 is calculated based on 168,391,313 ordinary shares due to the increased in the total number of ordinary shares from 140,326,100 to 168,391,313 as a result of the issuance of 28,065,213 bonus shares by the Company on 9 July 2018.

In compliance with the Malaysian Financial Reporting Standards, the number of ordinary shares outstanding for the financial year 2014 to 2017 had been adjusted as if the bonus issue had occurred at the beginning of the earliest period presented, thus the calculation for the EPS, NAPS and DPS for the financial year 2014 to 2017 have been restated retrospectively.

### Share performance

	Year 2018	Year 2017	Year 2016	Year 2015	Year 2014
Year High (RM)	<b>0.520</b>	0.640	0.585	0.680	0.800
Year Low (RM)	<b>0.340</b>	0.475	0.460	0.445	0.440
Year close (RM)	<b>0.375</b>	0.500	0.510	0.520	0.490
Market capitalization (RM'000) (as at financial year end)	<b>63,147</b>	84,196	85,880	87,563	82,512

(Source: klse.i3investor.com)

The market capitalization for the financial year 2018 is computed based on 168,391,313 ordinary shares. In compliance with MFRS, the calculation of market capitalization for the financial year 2014 to 2017 had been retrospectively restated based on 168,391,313 ordinary shares accordingly.

## 2. REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

### a) Significant changes in performance, financial position and liquidity

#### (i) Revenue

The revenue of the Group's property segment of RM9.562 million contributed 94.4% of the Group's total revenue of RM10.133 million for the financial year 2018.

The Group's revenue for the financial year 2018 of RM10.133 million decreased by 61.84% as compared to the revenue of RM26.554 million for the previous financial year. The decrease in revenue was due to:

- reduction in revenue for the property segment by RM16.935 million to RM9.603 million in the current financial year as compared to RM26.538 million in the previous financial year mainly due to the completion of the Group's commercial development project in 2017 and the delay in launching of the Group's new residential project in Bidor, Perak which was only launched in June 2018 coupled with the weak property market sentiment.
- increase in revenue for the trading segment by RM0.514 million to RM0.530 million in the current financial year as compared to RM0.016 million in the previous financial year mainly due to the supply of additional building materials to in-house contractors.

#### (ii) Profit Before Tax and Expenses

The Group's loss before taxation for financial year 2018 of RM0.730 million represented a 106.76% decrease from the profit before tax of RM10.791 million for previous financial year. The decrease was due to the completion of the Group's commercial development project in 2017 and delay in launching of the Group's new residential project in Bidor, Perak.

Operating expenses decreased by RM1.161 million representing 8.57% to RM12.389 million during the year as compared to RM13.550 million in the previous financial year. This was primarily due to the following:

- > decrease in human resources cost of RM0.914 million due to the resignation of a director and staffs.
- > decrease in sales and marketing expenses of RM0.717 million due to reduction in marketing activities for the Group's commercial project in Penang which was completed in 2017 coupled with the delay in launching of the Group's residential project in Bidor, Perak which took off only in June 2018.
- > increase in other professional fees of RM0.205 million mainly due to the professional fees incurred for corporate exercise on the proposed bonus issue and sustainability consultancy fee. Increased in donations of RM0.121 million resulted from additional contribution for corporate social responsibilities of the Group.

## (ii) Assets

### Investment in subsidiary

In the financial year, the Company had subscribed for a total of 2,457,831 redeemable preference shares in some of the wholly owned subsidiaries for a total consideration of RM2.457 million.

### Non-Current Inventories - Land Held for Development

The Group's non-current inventories comprises of land held for development and development expenditures, decreased by RM4.915 million representing 10.14% to RM43.539 million during the financial year as compared to RM48.454 million in the previous financial year. This was mainly due to accounting reclassification of a piece of land and its development expenditure from non-current assets to current assets in anticipation of commencement of development by a wholly-owned subsidiary in the financial year 2019.

### Trade Receivables

Trade receivables decreased by RM0.350 million representing 15.16% from RM2.309 million in previous financial year to RM1.959 million during the financial year. This was primarily due to reduction in billings for the Group's commercial development project which had been completed in year 2017 and the delay in launching of the Group's residential project in Bidor, Perak.

### Other Investments

The Group's other investments decreased by RM10.559 million representing 11.70% from RM90.216 million in the previous financial year to RM79.657 million in the current financial year under review. This was primarily due to realization of the other investment for working capital purposes .

### Cash & Short Term Deposits

The Group's cash and short term deposits increased by RM1.352 million representing 37.44% from RM3.611 million in the previous financial year to RM4.963 million in the current financial year under review following the investment of its excess funds to tax-free cash management fund investments with licensed investment management companies.

The Group has always maintain sufficient cash and bank balances to cater for current and future commitments.

## MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE (CONT'D)

### (iii) Liabilities

#### Trade and Other Payables

The Group's trade and other payables increased by 31.20% from RM4.365 million in the previous financial year to RM5.727 million. The trade and other payable comprises mainly of the followings:

- i) construction works payable of RM1.678 million and retention sum payable of RM1.798 million for the Group's newly launched residential project in Bidor, Perak;
- ii) accrual of remuneration for directors and staffs of approximately RM0.800 million, statutory and non-statutory audit fees of RM0.200 million and other general administrative expenses.

### (iv) Capital Structure and Capital Resources

The Group's borrowings decreased by RM0.306 million representing 78.66% from RM0.389 million to RM0.083 million due to repayment of the finance lease in respect of capital expenditure. The Group has sufficient internal working capital to maintain a sound financial position that enables the execution of the Group strategic objective in creating value over the coming years.

### 3. REVIEW OF OPERATING ACTIVITIES

- During the financial year under review, the Group has launched Phase 1 comprising of 80 units of single storey medium cost terrace houses and 22 units of 2-storey affordable terrace houses in Bidor, Perak.
- Barring any unforeseen circumstances, the development of Phase 1 is expected to be completed by the third quarter of 2019.



Note: Aerial view of Phase 1 Taman Impiana Bidor, Perak.

## **Property Development In The Pipeline**

- the Group will be launching 15 units of 2-storey shophouses at its existing land bank at Bidor, Perak. The Advertising Permit and Developer License has been obtained in December 2018. Depending on the property market sentiments in the region, the Group has geared up to launch Phase 2 of its affordable pricing houses in Bidor, Perak comprising of 56 units of single storey medium cost terrace houses and 53 units of 2-storey affordable terrace houses. Infrastructure works for the 2-storey shophouses, the medium cost and the affordable houses of Phase 2 have commenced.
- the Group has obtained building plan approval in October 2018 for the proposed development of 20 units of 2-storey terrace houses and 12 units of 3-storey terrace houses at Bukit Cherakah, Shah Alam, by a wholly-owned subsidiary company. Construction works for the proposed development has commenced in November 2018. Application for the Advertising Permit and Developer License (APDL) has been submitted to the Housing Ministry. The project will be launched upon approval of the APDL which is expected to be obtained by the first quarter of 2019.
- In the financial year 2018, the Group has submitted infrastructure plans to the relevant authorities for approval in respect of the proposed development on its newly acquired 96.8 acres of land in Mukim Teja, Daerah Kampar, Perak which has been earmarked for building affordable housing.
- Besides, the Group has also submitted for planning permission to develop 48 units of apartments in Bandar Baru Ayer Itam, Penang.

## **4. ANTICIPATED OR KNOWN RISKS**

Due to the softening of the property market, the marketing risk remains to be a main challenge to the Group's business performance.

The Group has taken the following measures in managing this potential risk:

- creation of awareness and publicity of our projects via various promotion materials, such as flyers, road shows, bill board, tele-marketing and social media;
- introduction of attractive marketing packages to purchasers;
- assist prospective purchasers in obtaining end-financing to finance their purchase of properties;
- conduct detailed market survey on new rules and regulations affecting property market; and
- organise internal and/or external training for Sales staff to enhance their sale and marketing skills

With a healthy financial position and as a measure in mitigating the risk of insufficient land banks for future growth, the Group will continue to enlarge its land bank by identifying and acquiring strategic lands with immediate development potential and exploring potential joint ventures and opportunities in working with government housing agencies for co-development.

Against this backdrop, the Group will continue to improve and strengthen its efficiency to achieve better operational efficiency and financial prudence while focusing its efforts in meeting market's demand.

## MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE (CONT'D)

### 5. FORWARD LOOKING STATEMENT

2019 is set to be another challenging year for the property development industry with the overall Malaysian economy affected by the threat of global slowdown and financial market volatility.

At the local front, several measures introduced in the Budget 2019 are expected to dampen the property development sector, such as the increase in stamp duties from 3% to 4% for property transfers priced at more than RM1.0 million and the structural shift of the real property gains tax from 0% tax to 5% tax for individual and 5% tax to 10% tax for companies whose holding period of the properties exceed 5 years.

Nevertheless, in response to the challenging market conditions, and moving forward into the financial year 2019, the Group would remain resolute and focus on further developing its existing land bank in Bidor, Perak for quality and affordable pricing houses and also to continue to embark on marketing efforts and initiatives to lock-in sales with an expectation to strive towards enriching the lives of the communities in Perak.

Notwithstanding that, the Group will continue to expedite the approval from the relevant authorities for the development of its other projects in Selangor, Perak and Penang.

Meanwhile, the Group's healthy cash position places us in prime position to constantly look out for compelling land bank opportunities for future expansion.

### 6. DIVIDEND POLICY

No dividend was paid in the year 2018 as the Board of Directors did not recommend the payment of any dividends in respect of the financial year ended 31 December 2017. The Board of Directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2018.

The Group does not have a specific dividend payout policy. However, the Board of Directors may decide to declare dividends in the future after taking into consideration of the following factors:

- the Group's financial performance for the year in which the dividend is to be paid
- the Group's cash flow and gearing position
- the Group's capital expenditure and other investment plans
- restriction of payment of dividends that may be imposed on the Group by any of its financing arrangements and current and prospective debt service requirements; and
- such factors as the Board of Directors deems appropriate.

## 1. THE AUDIT COMMITTEE

The Audit Committee comprises three members of the Board, all of whom are Non-Executive Independent Directors.

The members during the financial year ended 31 December 2018 and as at the date of this Annual Report are as follows:-

Mr. Koay Say Loke Andrew - *Chairman*  
*Non-Executive Independent Director*

Encik Khairilnuar Bin Abdul Rahman  
*Non-Executive Independent Director*

Miss Adlina Hasni Binti Zainol Abidin  
*Non-Executive Independent Director*

The Secretary to the Audit Committee is as follows:

Mr. Kwong Yook Faan  
*Company Secretary*

## 2. MEETINGS AND ATTENDANCE

The Audit Committee meets periodically to carry out its functions and duties in accordance with its terms of reference. The Audit Committee held a total of five meetings during the financial year ended 31 December 2018, with details of attendance at each meeting as follows:

Names of Committee Members	No. of Meetings	
	Held*	Attended
Mr. Koay Say Loke Andrew	5	4/5
Encik Khairilnuar Bin Abdul Rahman	5	5/5
Miss Adlina Hasni Binti Zainol Abidin	5	5/5

\* On 27 February 2018, 22 March 2018, 24 May 2018, 23 August 2018 and 22 November 2018

## 3. SUMMARY OF THE WORK OF THE AUDIT COMMITTEE

For the financial year ended 31 December 2018, the Audit Committee discharged its functions and duties accordingly. The main areas of work undertaken by the Audit Committee were as follows:-

- Reviewed the quarterly financial results of the Company and made recommendations to the Board of Directors for approval prior to release of the results to Bursa Malaysia Securities Berhad;
- Reviewed the annual audited financial statements of the Group/Company and made relevant recommendations to the Board of Directors for approval prior to presentation to the shareholders at Annual General Meeting;
- Reviewed the Annual Internal Audit Plan;
- Reviewed with the External Auditors, the Audit Plan; and
- Reviewed the Audit Committee Report and such other documents required pursuant to Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



## AUDIT COMMITTEE REPORT (CONT'D)

#### 4. SUMMARY OF THE WORK OF INTERNAL AUDIT FUNCTION

The Audit Committee was assisted by the Internal Auditors who undertook the audit and compliance functions of the Group in line with the Internal Audit Plan.

Internal Audit focused on determining whether the controls provided reasonable assurance of effective and efficient operations as to reliability and integrity of financial data and reports, and compliance with laws, regulations and contracts.

The Internal Audit Plan covered the examination and evaluation of the adequacy and effectiveness of internal control systems and the quality of compliance with the internal control systems which comprised key components of control environment, risk management and assessment process, operational control activities, information and communication systems and monitoring practices.

During the financial year, the outsourced internal audit firm IA Essential Sdn. Bhd. had conducted and reported to the Audit Committee its work carried out on the following:

- i. Project Management in Bidor Project; and
- ii. Human Resource Function.

The Board of Directors of the Company, in provision of a summary of the corporate governance practices of the Company during the financial year ended 31 December 2018 with reference to the following three Principles pursuant to Practice Note 9 Part 1 Paragraph 3.1A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, is pleased to set out hereunder the relevant information in relation thereto:-

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

Set out hereunder are, inter alia, details of Board Policies approved by the Board for implementation.

As to the three Principles referred to above, appropriate action has been taken accordingly for adherence thereto as follows:

## **Principle 1 - Board leadership and effectiveness**

The Board of Directors is primarily responsible for proper and good corporate governance of the Company and as such, leadership and effectiveness of the Board are critical and crucial in discharge of its duties and responsibilities in relation thereto.

1. Size, composition, gender and nomination as set out in the Board Charter of the Company

The size of the Board is stipulated in the Articles of Association of the Company. The size of the Board is determined based on the credential, knowledge and experience needed for effective functioning of the Board as well as the regulator's requirements on independent directors.

Appointment of Board and Senior Management is based on objective criteria and with due regard to diversity of skills, experience, age, cultural background and gender. In identifying candidates for appointment of Directors, the Board may rely on recommendations from existing Members, Management or Major Shareholders or utilise external sources to identify suitably qualified candidates.

The Board acknowledges the importance of gender diversity in its composition. In its selection of Board members, the Board provides equal opportunity to all candidates who meet its selection criteria.

All new Directors appointed to the Board shall undertake a formal induction program coordinated by the Nomination Committee.

2. Roles and responsibilities of the Board as set out in the Board Charter of the Company

All Directors should objectively discharge their duties and responsibilities at all times in the interests of the Group and should keep abreast of their responsibilities as Directors and of the conduct, business activities and development of the Group.

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Group, the Board should, among others:

- promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;
- review, challenge and decide on Management's proposals for the Group, and monitor their implementation;
- ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- supervise and assess Management's performance to determine whether the Group's business is being properly managed;

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

## Principle 1 - Board leadership and effectiveness (cont'd)

- ensure that there is a sound framework for internal controls and risk management;
- understand the principal risks of the Group's business and recognise that business decisions involve the taking of appropriate risks;
- assess and set the risk appetite within which Management should operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- ensure that Senior Management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and Senior Management;
- ensure that the Group has in place procedures to enable effective communication with stakeholders; and
- ensure the integrity of the Group's financial and non-financial reporting.

### 3. Position descriptions of the Board Members as set out in the Board Charter of the Company

#### 3.1 Executive Chairman and Deputy Executive Chairman

The primary roles of the Executive Chairman and Deputy Executive Chairman are:

- To provide leadership to the Board;
- To set the Board meeting's agenda and ensure that Board members receive complete and accurate information in a timely manner;
- To lead Board meetings and discussions;
- To encourage active participation of all Board members and to allow dissenting views to be freely expressed;
- To manage the interface between Board and Management;
- To ensure that appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board; and
- To lead the Board in establishing and monitoring good corporate governance practices in the Group.

#### 3.2 Executive Directors

The key responsibilities of the Executive Directors are:

- To develop strategic direction of the Group for Board's consideration;
- To ensure that Board decisions are implemented and responded to;
- To provide directions to Management in the implementation of short and long-term business plans;
- To provide strong leadership and effective communication of the Group's vision, philosophy and business strategy to all employees;
- To keep Board fully informed of all important aspects of the Group's operations and to ensure that sufficient information is distributed to Board members; and
- To ensure that day-to-day business affairs of the Group are effectively managed.

#### 3.3 Independent Directors

The primary responsibility of Independent Directors is to ensure effective check and balance in the Board by:

- bringing independent and objective judgement to the Board;
- mitigating risk of any possible conflict of interest and undue influence in the Board; and
- constructively challenging and contributing to the development of business strategy and direction of the Group.

## Principle 1 - Board leadership and effectiveness (cont'd)

Independent Director of the Board must fulfil the provisions and definition of independent director of the Listing Requirements at all times and must declare their independence to the Board annually.

When Board intends to retain its Independent Director beyond nine years, it would justify and seek shareholders' approval in the AGM. However, if the Board continues to retain its Independent Director after the twelfth year, the Board would seek shareholders' approval through a two-tier voting process in the AGM.

### 4. Conflict of interests as set out in the Board Charter of the Company

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflict of interests with the Group's interest.

Should there be actual, potential or perceived conflict of interests between the Group and Board Members or person connected with the Board Members, the interested Board Member shall make full disclosure in bona fide and act honestly in the best interests of the Group. Further, the interested Board Members shall not participate in deliberations on and shall abstain from casting vote in matter arising thereof.

### 5. Company Secretary as set out in the Board Charter of the Company

The Company Secretary plays an important role in good governance by helping the Board and its Committees function effectively and in accordance with their terms of reference and best practices.

The roles and responsibilities of the Company Secretary include, but not limited to the following:

- Manage all Board's and Board Committees' meeting logistics;
- Attend and record minutes of all Board's and Board Committees' meetings and facilitate Board communications;
- Advise the Board and Board Committees on its roles and responsibilities;
- Facilitate the orientation of new directors and assist in director training and development;
- Advise the Board on corporate disclosures and compliance with securities regulations, listing requirements and companies act;
- Manage processes pertaining to annual shareholder meeting;
- Monitor corporate governance developments and assist the Board in applying governance practices to meet the compliance needs and stakeholders' expectations; and
- Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

In order to carry out his function effectively, Company Secretary should possess the knowledge and experience covering the knowledge in company and securities law, finance, governance, company secretaryship and listing requirements and undertake continuous professional development.

### 6. Issues and decisions reserved for the Board as set out in the Board Charter of the Company

In order to ensure that the direction and control of the Group is within the Board's hands firmly, the following list of matters shall be reserved to the Board for decision:

- Corporate exercise;
- Business strategy and sustainability issues;
- Contracts and transaction exceeding 5% of total assets;
- Performance review, remuneration, succession and appointment of directors and key senior executives;
- Shareholders' communication and matters;
- Governance matters; and
- Board Policies.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

## Principle 1 - Board leadership and effectiveness (cont'd)

These matters reserved shall be communicated to all Directors, Company Secretary, Internal Auditors, External Auditors and the Senior Executives. Management shall familiarize and observe the matters reserved to the Board. Management shall not make decision within those matters and must undertake to provide adequate, timely and quality information to the Board for making its decision.

### 7. Meetings and minutes as set out in the Board Charter of the Company

Board meetings are held at least once in every three (3) months. The agenda for each meeting is dictated by the needs of the Board and would be communicated in the notice of meeting.

Additional Board meeting can be convened at the request of any Director by giving all Directors seven days' notice in writing. A meeting may, with the consent of all Directors, be convened with shorter notice.

All Board members shall attend at least 50% of the Board meetings held in each financial year or such other percentage as may be prescribed by the Listing Requirements. Heads of the respective division units and relevant Management personnel may be invited to attend the Board meetings as and when the need arises.

Personal attendance of Board members at meetings is preferred. But, the Board and Board Committees may hold meetings at two or more venues using technology that gives all members of the Board or the Board Committees a reasonable opportunity to participate in the meeting. On the other hand, Board may also pass its resolution by way of circular.

To facilitate robust Board discussions, the Company Secretary should ensure that Directors are provided with sufficient information and time to prepare for Board meetings. The meeting materials should be circulated at least five (5) business days in advance of the Board meeting. All Board members should ensure that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter.

### 8. Access of information and resources as set out in the Board Charter of the Company

All Board members shall have access to:

- complete, adequate and timely information of the Group;
- the resources required to perform their duties; and
- subject to Board's approval, engage independent professional or obtain advices at the expense of the Group.

### 9. Relationship between Board and Management as set out in the Board Charter of the Company

Except for matter relating to operation of Board Committees or duties of the Company Secretary, the ordinary course of communications between the Independent and Non-Executive Directors and the Senior Management should be through Executive Chairman, Deputy Executive Chairman or other Executive Directors.

### 10. Performance appraisal as set out in the Board Charter of the Company

Regular reviews of Directors' effectiveness and performance are important for Board improvement. The Board shall review and evaluate each Director's performance, its own performance and the performance of its Committees at least once a year. When assessing its performance, the Board shall also evaluate its performance vis-à-vis the provisions in this Board Charter.



## Principle 1 - Board leadership and effectiveness (cont'd)

All Board related performance appraisal shall be administered and conducted by the Nomination Committee who shall then report back to the Board. Based on the result of appraisal, the Nomination Committee should assist the Board to undertake assessment of the training needs of each Board Member.

### 11. Continuing Education Program and training as set out in the Board Charter of the Company

All Board Members are expected to undertake continuing professional education to enable them to discharge their duties effectively. While Management, Company Secretary, Internal and External Auditors would brief the Board on changes in the legislative, regulatory or industry framework which impact the Group, Board Members shall seek continuous knowledge of the changes in the securities, listing and companies regulations by participating in appropriate training programs.

### 12. Remuneration as set out in the Board Charter of the Company

The Board is responsible to establish formal and transparent remuneration policies and procedures. In order to attract and maintain talents, the Board shall remunerate its Members and Senior Management reasonably and fairly based on the market conditions, the individual's and Group's performance, level of responsibilities and skill sets of each individual as well as the Group's long-term objectives.

The Board may through Remuneration Committee draw advice externally, if necessary to review the remuneration of the Board and Senior Management.

### *Current status of Board composition and meetings*

The Board of Directors of the Company currently comprises six members, of whom three are Executive and three Non-Executive and Independent Directors including a female.

The Board composition has taken into account adequate mix of skills, independence and diversity including diversity of gender, ethnicity and age of the Members who are well-equipped with relevant knowledge and/or experience for contribution towards achievement of objectives of the Company. The Board is headed by the Chairman who is also the Managing Director and Chief Executive. To alleviate the risk where the roles of Chairman, Managing Director and Chief Executive are combined, adequate number of three Independent Directors has been maintained which is in compliance with the requirements of Bursa Malaysia Securities Berhad in relation to one-third Independent Directors.

The Board comprises Members of strong background on the basis of, in addition to the mix referred to above, their character, integrity and time who bring value to Board deliberations.

Six Board Meetings were held during the financial year ended 31 December 2018. Details of attendance of each Director in respect of the meetings held are set out in the "Statement accompanying notice of annual general meeting" of this Annual Report. Additional Board Meetings will, as and when the need arises, be convened to consider and deliberate on issues requiring attention and/or decision of the Board. As revealed in the said Statement accompanying notice of annual general meeting, all except two of the Directors had attended all Board Meetings and complied with the minimum 50% attendance requirement in respect of Board Meetings pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## Principle 1 - Board leadership and effectiveness (cont'd)

### *Education programmes for Directors*

Orientation and relevant education programmes are arranged where applicable for new recruits to the Board as an integral element of the process of appointing new Directors.

### *Training attended by Directors*

The Board views continual learning and training as an integral part of the Directors' development. The Board encourages where necessary its Directors to attend relevant seminars workshops and conferences for update and enhancement of their skills and knowledge to enable them to carry out their roles effectively as Directors in discharging their responsibilities and duties.

The Directors who attended seminars or programmes during the financial year ended 31 December 2018 and thereafter, and the relevant details are as follows:-

Date	Seminar/Programme	Attended By
28 February 2018	Corporate Governance Briefing Sessions - MSSG Reporting & CG Guide	Mr. Koay Say Loke Andrew
2 March 2018	Corporate Governance Briefing Sessions - MSSG Reporting & CG Guide	Miss Adlina Hasni Binti Zainol Abidin
5 September 2018	Case Study Workshop for Independent Directors	Miss Adlina Hasni Binti Zainol Abidin
5 December 2018	Breakfast Series: Non-Financials - Does It Matter	Mr. Koay Say Loke Andrew

## 13. Board Committees as set out in the Board Charter of the Company

The Board may from time to time establish appropriate Board Committees to assist them in the discharge of their responsibilities. However, the Board will not delegate any of its decision-making authority to those Committees.

The Board shall establish the following Committees and define their respective terms of reference:

- Executive Committee;
- Audit Committee;
- Risk Management Committee;
- Nomination Committee; and
- Remuneration Committee.

The role, function, performance and membership of each Committee will be reviewed on an annual basis as part of the Board's appraisal process.

The respective Chairmen of the Board Committees shall provide meaningful response to questions addressed to them during general meetings.

## Principle 1 - Board leadership and effectiveness (cont'd)

### *Details of existing Board Committees:*

#### *Executive Committee*

The prime function of the Executive Committee is to assist the Board in, inter alia, developing strategic direction of the Group for Board's consideration, ensuring implementation of Board decisions and provision of directions to management in the implementation of short and long-term business plans.

The Executive Committee currently comprises three Members as follows:-

Tan Sri Dato' Seri Lim Gait Tong - Chairman;  
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther; and  
Mr. Lim Chu Dick.

The matters delegated by the Board to the Executive Committee for execution are the following:-

1. Deliberation on draft quarterly financial results and draft annual financial statements prior to submission to the Audit Committee for review and presentation to the Board of Directors for approval;
2. Review of periodic statements of profit and loss;
3. Approval of donations and social contributions;
4. Review of status of plan approval for project implementation and follow-up actions;
5. Deliberation on project work progress for adherence to schedule to ensure achievement of projections;
6. Periodic review of projections and achievements for appropriate action, if the need arises;
7. Sourcing of new land and/or projects;
8. Deliberation on the draft terms and conditions for acquisition of new land and/or projects;
9. Submission of draft sale and purchase agreements on acquisition of land and/or projects to the Board of Directors for approval and thereafter execution;
10. Deliberation on feasibility study and project economics of new projects;
11. Decision-making on projects and products to be launched and timing;
12. Approval of selling price of products for launching;
13. Formulation of marketing strategy and plans for projects and products to be launched;
14. Review of sale status of products launched and revision, if need be, of marketing strategy;
15. Deliberation and approval of award to contractors for projects launched;
16. Deliberation on proposed construction and sales budget and review;
17. Deliberation on budgeted cashflow;
18. Discussion on estimated tax payable for the year of assessment;
19. Recommendation to the Board of Directors for approval of proposal for investments in fund with financial institutions;
20. Receiving reports from Management Committee on status update on, inter alia, project plan approval and progress at site, profit & loss, sale of products, budgeted cashflow and matters, if any, requiring decision; and
21. Such other matters not listed above requiring deliberation and decision-making delegated by the Board of Directors.

Names of Committee Members	No. of Meetings	
	Held*	Attended
Tan Sri Dato' Seri Lim Gait Tong	5	5/5
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	5	5/5
Mr. Lim Chu Dick	5	5/5

\* On 20 February 2018, 22 March 2018, 23 May 2018, 12 June 2018 and 19 November 2018

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

## Principle 1 - Board leadership and effectiveness (cont'd)

### *Audit Committee*

Details of composition, meetings and summary of work of the Audit Committee and related matters are set out separately in the Annual Report.

### *Risk Management Committee*

The principal objective of the Committee is to assist the Board in ensuring effective functioning of the risk management framework within the Group and to provide oversight, direction and counsel to the risk management process and to advise the Board on risk related issues and recommend strategies, policies and risk tolerance for approval of the Board.

The Risk Management Committee was set-up on 25 May 2017 comprising currently four Members, three of whom are Non-Executive and Independent Directors, as follows:-

Mr. Koay Say Loke Andrew - Chairman  
- Non-Executive Independent Director

Encik Khairilnauar Bin Abdul Rahman  
- Non-Executive Independent Director

Miss Adlina Hasni Binti Zainol Abidin  
- Non-Executive Independent Director

Mr. Lim Chu Dick  
- Executive Director

The duties, responsibilities and functions of the Risk Management Committee are as appended hereunder:-

#### (a) Risk Management:

1. Reviews and recommends appropriate risk management strategies, policies and risk tolerances in line with the Group's business objectives for approval of the Board;
2. Ensures the implementation of the risk management framework and reviews the adequacy and integrity thereof in identifying, assessing and managing risk and in establishing the Group's risk appetite;
3. Discusses with management on action taken to improve the risk management framework based on the risk identified in the risk management reports;
4. Reviews the adequacy of the scope, functions, competency and resources of risk management of the Group and ensures that it has the necessary authority to carry out its work;
5. Considers and evaluates other matters as deemed appropriate by the Committee and/or as authorised by the Board; and
6. All recommendations and findings of the Committee shall be submitted to the Board for approval and notation.

## Principle 1 - Board leadership and effectiveness (cont'd)

### (b) Sustainability Reporting

1. Oversees the management of principal business risks and significant or material economic, environmental and social factors.
2. Ensures resources and processes are in place to enable the organisation to achieve its sustainability commitments and targets; and
3. Reviews disclosure statements relating to management of sustainability matters of the Group in Annual Report.

The Risk Management Committee had held four meetings during the financial year ended 31 December 2018, details of attendance of which are as follows:-

Names of Committee Members	No. of Meetings	
	Held*	Attended
Mr. Koay Say Loke Andrew	4	3/4
Encik Khairilnauar Bin Abdul Rahman	4	4/4
Miss Adlina Hasni Binti Zainol Abidin	4	4/4
Mr. Lim Chu Dick	4	4/4

\* On 27 February 2018, 24 May 2018, 23 August 2018 and 22 November 2018

### Nomination Committee

The Nomination Committee which was set-up on 18 May 2002 comprising three Members, all of whom are Non-Executive and Independent Directors, is responsible for, inter alia, carrying out review and making recommendations on appropriate and adequate mix of skills, independence and diversity including diversity of gender, ethnicity and age of the Members of the Board with the required expertise and experience as well as appropriate balance of Executive and Non-Executive Directors (including Independent Non-Executives).

The composition of the Nomination Committee as of the date of this Annual Report is as follows:

Encik Khairilnauar Bin Abdul Rahman - Chairman  
- Non-Executive Independent Director

Mr. Koay Say Loke Andrew  
- Non-Executive Independent Director

Miss Adlina Hasni Binti Zainol Abidin  
- Non-Executive Independent Director

The Nomination Committee chaired by an Independent Director appointed on 25 August 2011 is to, inter alia,:-

- (a) recommend to the Board candidates for directorships to be filled by the shareholders or the Board;
- (b) consider candidates for directorships proposed by the Chief Executive and/or by any other senior executive or any Director or shareholder;
- (c) recommend to the Board Directors to sit on Board Committees;



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

## Principle 1 - Board leadership and effectiveness (cont'd)

- (d) assess the effectiveness of the Board and Board Committees including their size and composition, and contributions of each individual Director; and
- (e) review and recommend to the Board the required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.

The criteria to be used in the recruitment process and annual assessment of Directors, assessment and recommendation to the Board candidature of Directors, appointment of Directors to Board Committees, nomination and election process of Board Members, establishment of policy for Boardroom diversity including gender diversity and measures are among the issues dealt with by the Nomination Committee as set out in the statement about its activities below:-

### **STATEMENT ABOUT THE ACTIVITIES OF THE NOMINATION COMMITTEE IN THE DISCHARGE OF ITS DUTIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

The Nomination Committee had held one meeting during the financial year ended 31 December 2018, details of attendance of which are as follows:-

Names of Committee Members	No. of Meetings	
	Held*	Attended
Encik Khairilnuar Bin Abdul Rahman	1	1/1
Mr. Koay Say Loke Andrew	1	0/1
Miss Adlina Hasni Binti Zainol Abidin	1	1/1

\* On 27 February 2018

The Nomination Committee of Directors had carried out its activities in discharge of its duties for the year and wish to state, pursuant to Paragraph 15.08A(3) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following:-

#### *How the requirements set out in Paragraph 2.20A of LR are met:*

The requirements stated in the above Paragraph are that each of the Company's Directors, Chief Executive or Chief Financial Officer has the character, experience, integrity, competence and time to effectively discharge his or her role as a Director, Chief Executive or Chief Financial Officer.

All of the Directors including the Chief Executive of the Company are persons of good character, having adequate relevant experience with integrity and competence in related fields as evidenced in their respective profiles.

They have devoted their time as required to effectively discharge their roles as Directors and/or Chief Executive who had during the year attended most of the related meetings held.

Such statement pursuant to the said Paragraph 15.08A(3) must also contain the following information:-

- (a) the policy on board composition having regard to the mix of skills, independence and diversity (including gender diversity, diversity in ethnicity and age) required to meet the needs of the listed issuer;

## Principle 1 - Board leadership and effectiveness (cont'd)

The policy of the Company on Board composition has taken into account adequate mix of the skills, independence and diversity including diversity of gender, ethnicity and age of the Members of the Board required to serve the needs of the Company.

Adequate mix of skills of Directors of the Company are reflected in their respective profiles while three out of six Directors are independent.

The requirements of diversity of gender, ethnicity and age are satisfied by composition of the Board of Directors of the Company who are of varied gender, ethnicity and age.

Additional female candidates, if they are suitable, may be considered for future appointment in line with the government policy.

### *(b) the board nomination and election process of directors and criteria used by the Nomination Committee in the selection process; and*

Nomination and election of Members of the Board shall undergo a process of identification and evaluation of the candidates concerned.

The process of nomination and election referred to above may be summarized as follows:-

1. Identification of skills and other requisite qualities required to meet the needs of Board composition;
2. Sourcing of candidates;
3. Evaluation of candidates on the basis of the criteria used by the Nomination Committee including that in relation to diversity of gender, ethnicity and age;
4. Selection of suitable candidates; and
5. Recommendation of candidates to the Board for appointment

The criteria used by the Nomination Committee in the selection process shall be that of the needs of the Company taking into account, in particular, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in relation to character, experience, integrity, competence and time of the candidates as well as the policy on diversity of gender, ethnicity and age referred to above.

### *(c) the assessment undertaken by the Nomination Committee in respect of the board, committees and individual directors together with the criteria used for such assessment.*

The assessment undertaken by the Nomination Committee is via evaluation in writing in respect of the Board, its Committees and individual Directors taking into consideration the criteria referred to above as set out in the assessment forms in relation thereto.

The assessment findings revealed that the Board, its Committees and individual Directors have met the criteria used and satisfied the requirements.

As to review of succession plans of the Board and training programmes for the Board, the matter will be dealt with by the Nomination Committee accordingly.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## Principle 1 - Board leadership and effectiveness (cont'd)

### *Remuneration Committee*

The Remuneration Committee was appointed on 18 May 2002 comprising three Members, all of whom are Non-Executive and Independent Directors.

The composition of the Remuneration Committee as of the date of this Annual Report is as follows:

Miss Adlina Hasni Binti Zainol Abidin - Chairman  
- Non-Executive Independent Director

Mr. Koay Say Loke Andrew  
- Non-Executive Independent Director

Encik Khairilnuar Bin Abdul Rahman  
- Non-Executive Independent Director

The Remuneration Committee is responsible for:-

- (a) determining and developing the remuneration policy and procedures for Executive Directors;
- (b) recommending to the Board the remuneration of Executive Directors in all its forms, drawing from outside advice where necessary;
- (c) assisting the Board in ensuring that the remuneration of Directors which shall be aligned with the business strategy and long-term objectives of the Company reflects the responsibility, expertise and commitment of the Directors concerned and complexity of activities carried out, and determining the policy for and scope of service agreements for Executive Directors, termination payments and compensation commitments; and
- (d) recommending to the Board the seeking of services of such advisers or consultants as is necessary to fulfil its responsibilities.

Directors do not participate in decisions on their own remuneration packages.

The Remuneration Committee had not held any meeting but had dealt with matters requiring action via Circular Decision during the financial year ended 31 December 2018.

## Principle 2 - Effective audit and risk management

To preserve and enhance the effectiveness of audit on the financial affairs and results of financial performance of the Group, the Board of Directors has taken appropriate action to enable proper evaluation of the External Auditors in the discharge of their duties.

An Audit Committee Policy has been adopted by the Company on evaluation of External Auditors as set out in the Board Policies as follows:

### 1. Objective

The objective of this policy is to define the considerations for assessing the suitability and independence of the Group's External Auditors.

## Principle 2 - Effective audit and risk management (cont'd)

### 2. Appointment Criteria for External Auditors

Before selecting the External Auditors for the Group and deciding their fees, the Audit Committee shall assess the suitability and independence of the External Auditors based on the following factors:

- i. Registration with the Audit Oversight Board;
- ii. Quality and allocation of the individuals assigned to perform the audit;
- iii. Experience in auditing financial statements of public companies and similar industry;
- iv. Past and on-going legal cases against the firms;
- v. Reprimand records, if any by authorities and their findings on the firms;
- vi. Independence and confidentiality philosophy, policies and procedures of the firms;
- vii. Present engagement with the Group for non-audit services, if any; and
- viii. Audit fee charged by the External Auditors and its impact on their independence.

### 3. Performance Evaluation of External Auditors

Annually, the Audit Committee shall evaluate the External Auditors' work based on their:

- i. Ability in meeting deadlines in the course of their audit;
- ii. Adequacy and appropriateness of the audit scope, planning, materiality, sampling and work methods;
- iii. Competency and communication skills of the engagement team members; and
- iv. Clarity of presentations and quality of reports produced.

### 4. Tenure of Service

Subject to the result of the annual evaluation conducted by the Audit Committee, the External Auditors would be recommended to the Board and included in an ordinary resolution for approval by shareholders for re-appointment. Audit partner in-charge shall be rotated at least once every five (5) years or as determined by the regulatory requirements in order to ensure the objectivity and independence of audit.

### 5. Appointment for Non-Audit Work

Independence of External Auditors can be impaired by provision of non-audit services to the Group. Therefore, in order to ensure the objectivity of auditing of the External Auditors, the circumstances in which the Group may use the External Auditors for non-audit services shall be evaluated by the Audit Committee before recommending any non-audit service engagements to the Board for approval.

Principally, the Group shall not engage External Auditors for provision of non-audit services that might be perceived to be materially in conflict with their role or potentially could influence their audit objective and independence. Nonetheless, when External Auditors are engaged for non-audit services, the Audit Committee must assess the extent of controls and arrangements that are put in place by the External Auditors to safeguard the integrity, objectivity and independence

In addition, the Company is concerned over the risk which the Group may be exposed in its operations and has therefore formulated a risk management policy as set out in the Board Policies for implementation which is appended hereunder:-

Group Risk Management Policy:

#### 1. Objective

The risk management objective of the Group is to promote greater appreciation and awareness of risks; and proactive identification and management of risks among the staff members in order to continuously strengthen the Group's risk management competency.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## Principle 2 - Effective audit and risk management (cont'd)

### 2. Board's Responsibilities

The primary responsibility of the Board in risk management is to assess and set the risk appetite within which Management should operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.

### 3. Risk Appetite

Risk appetite is defined as the amount of risk that the Group is willing to accept in pursuit of its value creation process. When determining the risk appetite of the Group, the Board would consider its business priority and timing as well as the financial position and resources of the Group.

### 4. Risk Management Committee ("RMC")

The Board establishes a RMC to assist them in assessing and overseeing the adequacy and effectiveness of risk management framework and policies in the Group. The composition of the Risk Committee shall comprise majority of Independent Directors.

### 5. Management's Responsibilities

The responsibilities of Management with respect to risk management are:

- i. To implement effective risk management framework;
- ii. To monitor and manage risk in accordance with the Group's overall risk appetite;
- iii. To identify changes in material or emerging risks and promptly bring these risks to the attention of the Board;
- iv. To promote risk awareness among the employees of the Group;
- v. To educate the heads of departments and line managers of their collective assurance responsibilities to the Board;
- vi. To present and brief the Board and RMC of the Group's risk profile and register;
- vii. To assess, update and present the risk status, Management action and result of the risk profile to the Board;
- viii. To integrate risk management process to standard operating procedures and performance appraisal; and
- ix. To assure the Board and RMC that the Group's risk management and internal control systems are operating adequately and effectively.

### 6. Risk Assurance

Executive Directors and key senior executives should provide assurance to the Board that risk management processes of the Group are working effectively and all key risks are being managed to an acceptable level.

In order to supplement the consideration of the Board on the assurance provided by Executive Directors and key senior executives, the Internal Auditors shall evaluate and provide its objective and independent views on the state of risk management and internal controls to the Board periodically.

### 7. Disclosure

The annual report and financial statements of the Group shall include such meaningful information necessary to assist shareholders' understanding of the main features of the Group's risk management processes and systems of internal control.



## **Principle 2 - Effective audit and risk management (cont'd)**

The Board shall, in its disclosure include a discussion on how key risk areas such as finance, operations, regulatory compliance, reputation, cyber security and sustainability were evaluated and the controls in place to mitigate or manage those risks. In addition, the Board shall state if the risk management framework adopted by the Group is based on an internationally recognised risk management framework.

The Board shall also disclose whether it has conducted an annual review and periodic testing of the Group's internal control and risk management framework and the insights it has gained from the review as well as changes made to its internal control and risk management framework arising from the review.

Where information is commercially sensitive and may give rise to competitive risk, it is acceptable for the Board to disclose its risk information in general term.

Details of the risk management activities carried out by the Risk Management Committee and its duties, responsibilities and functions are set out in Principle 1 above.

## **Principle 3 - Integrity in corporate reporting and meaningful relationship with stakeholders**

Corporate reporting integrity is another issue which deserves attention and appropriate action of the Board of Directors.

The Board has in this aspect arrived at a corporate code of conduct and ethics as set out in the Board Policies for adherence thereto including adherence in relation to corporate reporting as follows:-

### *Corporate Code of Conduct and Ethics:*

#### **1. Objective**

The objective of the Group's Code of Conduct and Ethics are:

- i. To set the tone and standards for ethical conducts in the Group;
- ii. To provide guidance to stakeholders on the ethical behaviours to be expected from the Directors, Management and employees of the Group; and
- iii. To act as the reference point for Management in making their day-to-day decisions.

#### **2. Principles**

The Board, Management and employees of the Group are responsible for:

- a. Upholding the Group's Corporate Code of Conduct and Ethics in conducting business and creating wealth and reward for shareholders;
- b. Preserving and protecting the environment and natural resources to ensure sustainability;
- c. Embracing social equity and diversity, complying with regulatory requirements and supporting good cause and charities;
- d. Improving the Group's business competitiveness ethically and responsibly;
- e. Embracing fair and ethical business dealings with business partners;
- f. Creating safe, healthy and secured working environments;
- g. Acting with utmost good faith, honestly and responsibly in discharging their duties; and
- h. Rejecting favours, rewards and benefits for improper gain and advantage.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## Principle 3 - Integrity in corporate reporting and meaningful relationship with stakeholders (cont'd)

### 3. Board's Responsibilities

The Board shall:

- i. Manage conflicts of interest and prevent abuse of power, corruption, insider trading and money laundering;
- ii. Ensure implementation of appropriate communication channel to receive feedbacks as well as other appropriate internal systems to support, promote and strengthen the awareness and compliance with this Code;
- iii. Integrate Code of Conduct and Ethics into Management practices and procedures; and
- iv. Review the Corporate Code of Conduct and Ethics periodically.

### 4. Management's Responsibilities

In making operational and business decisions, Management is responsible to the Board for observing the principles of this Code. Management must ensure that their action is consistent with the spirit of this Code and promote good ethical standard through their internal and external interaction with all stakeholders of the Group.

### 5. Reporting of Non-Observance

Any stakeholder who knows of or suspects a violation of this Code is encouraged to report the incidence to [farlim@whistleblower.com.my](mailto:farlim@whistleblower.com.my).

### 6. Publication of Corporate Code of Conducts and Ethics

This Corporate Code of Conducts and Ethics shall be published on the Group's website.

As to engagement and communication with stakeholders, it involves a vital relationship which the Board of Directors would wish to be meaningful.

The Board of Directors has included in its Board Charter as a policy the relevant matter as set out hereunder for implementation.

#### *Meaningful relationship with stakeholders:*

Ongoing engagement and communication with stakeholders build trust and understanding between the Group and its stakeholders. It provides stakeholders a better appreciation of the Group's objectives and the quality of its Management. This in turn will assist stakeholders in evaluating the Group and facilitate shareholders to determine how their votes should be exercised. From the Group's perspective, communication with stakeholders provides an avenue for invaluable feedback that can be used to understand stakeholders' expectations and to develop business strategies.

The principles governing the Board's stakeholders communication initiatives are as follows:

- The Executive Chairman or Deputy Executive Chairman or in their absence any other Board Members authorized by Executive Chairman and Deputy Executive Chairman will be the spokesperson of the Board;
- The Board will always leverage Bursa's and its corporate website to report its financial results and material developments to the Exchange, its shareholders and other stakeholders in an open, timely and comprehensive manner;

**Principle 3 - Integrity in corporate reporting and meaningful relationship with stakeholders (cont'd)**

- The Board will proactively address reports and rumors to avoid unnecessary speculation in its securities. The Board will give reasonable access to analysts and media to form their opinion about the Group, but will not seek to influence those opinions. Also, the Board will not give information to the analysts and media that is not available to the general public; and
- The Board will meet with its stakeholders through appropriate platform and channel to inform and obtain feedback from stakeholders.

Appended below are the modes and opportunities of direct and physical interaction between the Board of Directors and shareholders of the Company currently adopted by the Company in communication and maintenance of continual vital relationship with shareholders:-

*Shareholder participation at general meetings and other communications*

The Board has taken reasonable steps to encourage shareholder participation at general meetings including but not restricting to provision of good facilities at a hotel as the venue of general meetings where the attendees are served with refreshments in addition to provision of additional hard copies of Annual Reports at the said meetings.

Issuance of notice of general meetings and Annual Reports to shareholders which has been effected earlier than the minimum notice period required is another link between the Company and shareholders where the shareholders have access to all relevant information to enable them to exercise their rights and interact with the Board of Directors.

Ease of communication between the shareholders and the Company via its website is also available.

The above summary sets out how the three Principles pursuant to Practice Note 9 Part 1 Paragraph 3.1A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad are adhered to via adoption of the relevant Board Policies and implementation of appropriate measures.

Date: 28 March 2019

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors ("Board") of Farlim Group (Malaysia) Bhd. is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2018. The disclosure in this Statement is presented pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

## BOARD RESPONSIBILITY

In accordance with the Malaysian Code of Corporate Governance, the Board being responsible for the Group's risk management and internal control systems formulates appropriate policies on internal control and takes measures to ensure that the systems are functioning effectively. In addition, the Board must also ensure that the systems of risk management and internal control manage risks and form part of its corporate culture.

As mentioned in the previous Annual Report, the Board has defined its risk management policy and established a Risk Management Committee ("RMC") in overseeing the risk management framework of the Group. Presently, the RMC comprises four (4) members with the majority of Independent Non-Executive Directors. The RMC meets quarterly to deliberate the significant and high risk factors identified and reported by the management. Matters deliberated in the RMC meeting include changes in the risk profiles, the mitigation plans as well as the status of management implementation of these action plans.

### Current Composition of RMC:-

<b>Chairman</b>	Mr. Koay Say Loke Andrew (Independent Non-Executive Director)
<b>Members:</b>	Encik Khairilnuar Bin Abdul Rahman (Independent Non-Executive Director)
	Miss Adlina Hasni Binti Zainol Abidin (Independent Non-Executive Director)
	Mr. Lim Chu Dick (Executive Director)

The RMC conducted four (4) meetings during the financial year.

## BOARD REVIEW MECHANISM

The Board acknowledges its responsibility for reviewing the adequacy and integrity of the Group's risk management and internal control systems; identifying the principal risks in the Group; and establishing appropriate control environment and framework to manage risks. The Board has laid down the following processes to obtain the relevant and key information in deriving its comfort on the state of internal control and risk management of the Group:

- The establishment of risk management policy and RMC in overseeing the risk management of the Group;
- Periodic review with representatives from Management Committee on the risks identified and status of management action plan;
- Periodic review of financial information covering financial performance and quarterly financial results;
- Review and consultation with the management and External Auditors on the integrity of the financial results and audited financial statements by the Audit Committee before recommendation to the Board for approval; and
- Audit findings and reports on the review of systems of internal control provided by the Internal Auditors and the status of the management's implementation of the audit recommendations.

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

## RISK MANAGEMENT

At the management level, the Management Committee assists the RMC in identifying, assessing and reporting the key risks particularly on financial, operational and compliance aspects of the Group. Further, the risk-based thinking is embraced, operationalised and applied in conducting the various operation meetings held in the Group.

### (i) Management Meeting

The Management Committee conducts monthly management meetings with the Heads of Departments to review operational matters and identify potential risks. Key matters covering the financial and operational performance, update of property market outlook, the status and progress of various projects are reviewed, considered and discussed. Actions plan are designed and implemented to address risks faced in the projects.

### (ii) Consultants' and Contactors' Meeting

The Management Committee together with the Project Committee conduct fortnightly meetings with the consultants and contractors to monitor the site progress and to identify significant matters encountered in the course of the constructions. Areas of concern, risk identified and actions taken in ensuring the achievement of the project schedules will be summarized and reported to the Executive Committee ("EXCO") comprising all executive Board members for further deliberation and decision.

### (iii) Marketing & Credit Meeting

Fortnightly meetings are conducted to monitor property sales and collection, market outlook, marketing strategies and loan and end-financing matters. Appropriate measures are undertaken as part of operational risk mitigation process.

### (iv) Accounts & Finance Meeting

Monthly meetings are conducted to review and ensure that proper accounting practices are established and are enforced in order to keep the company in compliance with the statutory requirements, accounting standards and latest applicable rules and laws. Potential compliance risk will be discussed and appropriate advice will be sought from professional consultants, if necessary to mitigate the compliance risk exposure of the Group.

### (v) EXCO Meeting

EXCO meetings are held where the Executive Directors are given report and briefing by Management Committee on update of the Group's operation. Management reports are made available to the EXCO covering financial performance and key business operations of the Group. Actual performance is closely monitored against budget to identify and address significant variances and actions taken where necessary.

All significant matters deliberated at both the Management Committee and Consultants and Contractors Meetings are further summarized and reported in the EXCO meetings. During these meetings, project performance status is scrutinized and additional measures, actions and directions are decided and taken by the EXCO, if required in order to manage any possible and potential risks effectively.

Owing to the softening of the property development market, the market risk remains as the primary risk and challenge to the Group's business performance. While management will continue to improve and strengthen its overall efficiency, the Group has taken the following direct measures to manage and alleviate the impact of this market risk on the overall Group's business and financial performances.

- Creating market awareness and publicity of the Group's development projects;
- Introducing more attractive marketing packages to purchasers;
- Assisting prospective purchasers in obtaining end-financing to finance their property purchase;
- Conducting detailed market survey on new rules and regulations affecting property market; and
- Organising internal and/or external trainings for Sales staff to enhance their sale and marketing skills.



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

Separately, with respect to the secondary risk of insufficient land banks for future development, the Group will continue to leverage on its healthy financial position to enlarge its land bank. Progressively, the EXCO and management have been sourcing and studying strategic lands with immediate development potential while at the same time, the Executive Board Members continue to explore potential joint ventures and co-development opportunities with government housing agencies.

### INTERNAL CONTROLS

In order to supplement the risk management process, management has put in place the following key internal control procedures and processes in the Group:

- i) The organizational structure with defined lines of responsibility, process of hierarchical reporting and delegation of authorities within the senior management and the head of operational units;
- ii) Financial and operation authority approval limits are defined for operating unit levels;
- iii) Documented standard operating guidelines and procedures for operation departments. This guidelines and procedures are subject to review and update by the operational units and management regularly;
- iv) External legal review service will be sought when required to address contractual risks before entering into material contracts and agreements;
- v) Job descriptions are established providing understanding to employees of their responsibilities;
- vi) Financial forecast is used as performance targets and are reviewed and monitored on monthly basis;
- vii) Monthly management meetings are held between the senior management and head of operational units on the progress of operational, financial performance, development and legal matters;
- viii) The Audit Committee's reviews of Group's quarterly unaudited financial results and year-end financial statements before presenting these results and statements to the Board for approval;
- ix) Management reports are made available to the EXCO covering financial performance and key business operations of the Group. Actual performance is closely monitored against budget to identify and address significant variances; and
- x) The RMC reviews the Group's risk register of every operational units covering all significant and high risks identified on a quarterly basis and reports to the Board accordingly.

### INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by an internal audit consulting firm. In order to maintain its independence, the internal auditors report directly to the Audit Committee.

Apart from periodical review of the adequacy, efficiency and effectiveness of the internal control systems and procedures, the Internal Auditors also monitor the compliances with policies and procedures. The internal audit reports are issued to highlight significant findings and deficiency requiring management's attention and improvement. Follow-up review would subsequently be conducted to ensure that appropriate corrective action plans are implemented. The cost incurred for the internal audit function for the financial year ended 31 December 2018 was RM72,106 (2017: RM86,432).

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

## BOARD ASSURANCE AND LIMITATION

The Board assures that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group and has also received assurance from the Chairman and Chief Executive that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively in all material respect.

It shall be noted that due to the limitation inherent in any systems of internal control and risk management, such systems are designed to manage and mitigate the risk within the tolerable levels rather than eliminate those possible risks of failure to achieve Group's business objectives. Therefore, these systems by its nature can only reduce and provide reasonable and not absolute assurance against the possibility of occurrence of any material error, misstatement, fraud or loss.

Overall, the Board is of the view that the current system of risk management and internal control are in place and operated adequately and satisfactorily. There were no significant weaknesses in the systems of risk management and internal control that would have material impact on the operations of the Group for the financial year under review. Nevertheless, the Board and the management will continue to take necessary measures to strengthen and improve its internal control environment and risk management.

## REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control. As set out in their terms of engagement, the procedures were performed in accordance with the Audit and Assurance Practice Guide 3 ("AAPG3"): Guidance for Auditors on Engagements to Report on the Statements on Risk Management in accordance with ISAE 3000 (Revised 2015) and Internal Control issued by the Malaysian Institute of Accountants. The External Auditors' procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the system of internal control for the Group. However, AAPG3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures.

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board and management in reviewing the adequacy and integrity of the risk management and effectiveness of the systems of risk management and internal control systems of the Group.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated 28 March 2019.

# STATEMENT ON ADDITIONAL COMPLIANCE INFORMATION

AS AT 26 MARCH 2019

## 1.0 Directors' Remuneration for the financial year ended 31 December 2018

The details of remuneration of Directors for the year ended 31 December 2018 are as follows:-

Directors	Company (RM)						Total (RM)
Executive Directors	Salaries	Bonuses	EPF	Benefit-in-kind	Allowance	Other Emoluments	
Tan Sri Dato' Seri Lim Gait Tong	525,000	43,750	48,807	28,000	—	—	645,557
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	300,000	25,000	—	—	—	—	325,000
Lim Chu Dick	240,000	20,000	31,380	17,400	—	—	308,780
Eng Kim Leng (Resigned on 1 June 2018)	—	—	1,950	—	15,000	—	16,950
<b>Total</b>	<b>1,065,000</b>	<b>88,750</b>	<b>82,137</b>	<b>45,400</b>	<b>15,000</b>	<b>—</b>	<b>1,296,287</b>

Directors	Group (RM)						Total (RM)
Executive Directors	Salaries	Bonuses	EPF	Benefit-in-kind	Allowance	Other Emoluments	
Tan Sri Dato' Seri Lim Gait Tong	525,000	43,750	48,807	28,000	—	—	645,557
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	300,000	25,000	—	28,000	—	—	353,000
Lim Chu Dick	240,000	20,000	31,380	17,400	—	—	308,780
Eng Kim Leng (Resigned on 1 June 2018)	85,000	—	12,150	9,979	15,000	—	122,129
<b>Total</b>	<b>1,150,000</b>	<b>88,750*</b>	<b>92,337</b>	<b>83,379*</b>	<b>15,000*</b>	<b>—</b>	<b>1,429,466</b>

\* Benefits comprising bonuses, benefit-in-kind and allowance totaling RM187,129.00

Directors	Company (RM)				Total (RM)
Non-Executive Directors	Fees	Benefit-in-kind	Meeting Allowance	Other Emoluments	
Koay Say Loke Andrew	45,600	—	—	—	45,600
Khairilnuar Bin Abdul Rahman	45,600	—	—	—	45,600
Adlina Hasni Binti Zainol Abidin	45,600	—	—	—	45,600
<b>Total</b>	<b>136,800</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>136,800</b>

## 2.0 Utilisation of Proceeds

There are no proceeds raised/utilized by the Company from corporate proposals during the financial year.

## 3.0 The amount of audit and non-audit fees incurred for services rendered to the Company and the Group for the financial year by the Company's auditors, or a firm or company affiliated to the auditors' firm:-

	Audit Fees (RM)	Non-Audit Fees (RM)*
Company	92,000	19,100
Group	180,000	49,250

\* Non-audit fees were mainly in respect of taxation fees, review of Statement on Risk Management and Internal Control and review of other information presented with the financial report.

# STATEMENT ON ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

AS AT 26 MARCH 2019

## 4.0 Material Contracts

There are no material contracts subsisting since the end of the previous financial year ended 31 December 2017 and as at end of current financial year on 31 December 2018 involving Directors and Major Shareholders' interests.

## 5.0 Recurrent Related Party Transactions

	Company (RM)
Interest income received from:	
- LJ Harta Sdn. Bhd.	60,206
- Ria Bahagia Sdn. Bhd.	606
Rental of premises received from:	
- Farlim Marketing Sdn. Bhd.	3,000
Accounting fees received from:	
- Farlim Jaya Sdn. Bhd.	9,000
Investment of RPS in:	
- Bandar Subang Sdn. Bhd.	2,407,831
- Farlim (Perak) Sdn. Bhd.	50,000

# SUSTAINABILITY STATEMENT

## ABOUT THIS REPORT

**At Farlim Group (Malaysia) Berhad (Farlim), we are embarking on our sustainability journey with the publication of this sustainability report, marking our commitment to operating as a sustainable organisation. This report provides a detailed account of how our Group manages sustainability risks and opportunities within the scope of Economic, Environment and Social (“EES”) areas.**

### Our Reporting Approach

This report was developed through our plan to embed setting the stage with the theme of sustainability as part and parcel of our short and long-term strategy. Therefore, it focuses on the three pillars of sustainability – Economic, Environment and Social (EES) at all levels of our businesses and stakeholders.

This report has been prepared with reference to the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) in order for us to adhere to sustainability disclosure obligations prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia). The content of this report is presented based on the reporting principles defined by GRI Standards, which include;

- Stakeholder Inclusiveness: capturing our stakeholder's expectations and concerns;
- Sustainability Context: presenting our performance in the wider context of sustainability;
- Materiality: identifying and prioritising the key sustainability issues that our Group encounters;
- Completeness: reporting all sustainability topics that are relevant to our Group, and influence our stakeholders.

This report references the following GRI Standards:

- GRI 201 Economic Performance 2016
- GRI 202 Market Presence 2016
- GRI 302 Energy 2016
- GRI 307 Environmental Compliance 2016
- GRI 401 Employment 2016
- GRI 403 Occupational Health and Safety 2016
- GRI 404 Training and Education 2016
- GRI 417 Marketing and Labelling 2016
- GRI 418 Customer Privacy 2016

### Reporting Period

This report refers to the period January 1, 2018 to December 31, 2018 (unless indicated otherwise) and will be published annually. Thus, the information and data presented fall within the stated period as well as the baseline year – the benchmark used as a foundation for measuring and comparing disclosed sustainability information and performance data – moving forward.

### Scope and Boundaries

The scope of this report covers all areas of business owned and operated by Farlim Group (Malaysia) Berhad.

### Sustainability across Supply Chain

Farlim employs sustainability as a strategy to uphold sustainable practices across its supply chain, going beyond adherence to Bursa Malaysia's requirements. Farlim is committed to actively engaging suppliers to move towards sustainability excellence in the future.

### Membership and Association

- Real Estate and Housing Developers' Association Malaysia
- Federation of Public Listed Companies Berhad
- Malaysia-Japan Economic Association

### Feedback

All feedback and queries can be directed to:  
Email: [farlimsustain@farlim.com.my](mailto:farlimsustain@farlim.com.my)



## CHAIRMAN'S STATEMENT

**“We aspire to create a culture of sustainability from our business operations, guided by our action plan and strategic goals. We are committed to disclosing our sustainability progress and setting high standards in the areas of economic, environment and social”**

It is with great pleasure that we present Farlim Group (Malaysia) Berhad's Sustainability Report on behalf of the Board of Directors. We continuously strive to be a responsible corporate citizen that recognises the significant strong link between fiscal success and sustainability of the economy, environment and the communities where we operate. Thus, we strive to responsibly and proactively conduct our business in a sustainable and ethical manner. This report presents an overview of our sustainability journey and commitment towards building sustainable business practices and creating value for our stakeholders.

### Our Sustainability Governance

Sustainability governance is a crucial element in realising our sustainability aspirations. We endeavour to achieve high standards of good corporate governance throughout the Group by embracing transparency, integrity, and accountability in all our dealings. We have adopted several relevant guidelines such as the Malaysian Code of Corporate Governance 2017 (MCCG 2017) to strengthen our efforts in maintaining good governance on our journey towards greater sustainability. We have formed a Risk Management Committee with functions on, inter alia, sustainability reporting, overseeing the management principal business risks and significant or material economic, environmental and social factors and ensuring that resources and processes are in place to enable the organisation to achieve its sustainability commitments and targets among others.

### Economy

We acknowledge the importance of maintaining both the market recognition of our business and the confidence in our sustainability agenda. Thus, we strive to cultivate a culture of ethical business conduct and high standards of compliance in order to serve our customers better. As a property developer, we provide products and services that not only accommodate customers' needs but also meet the ever-changing economy. We pride ourselves on our endeavour to provide affordable housing and have expanded our business' footprint to Perak by securing sufficient land banks with the intention of creating more quality homes at affordable pricing.

### Environment

The Group is committed to minimising our environmental footprint by assuming stewardship over what we offer our customers as well as the resources we use. This is done by taking meticulous steps in addressing any possible adverse impact on the environment and complying with all relevant regulatory requirements with regard to environmental issues. As the results of our continuous monitoring and evaluation, we have recorded zero case of environmental non-compliance in 2018. We want our environmental agenda to extend beyond compliance, thus we have started to monitor our energy consumption this year. We hope to have comparable data on our energy consumption in the ensuing years.

### Social

Farlim is a company based on strong social values and we constantly seek to impart a positive impact to society, while continuously striving to prevent, mitigate and eventually eliminate any negative impact that results from our business activities. We are committed to attracting and retaining highly skilled and talented professionals who we see as the asset of our Group. We place great emphasis on talent management and human capital development to ensure our people are equipped to support and contribute to our sustainability goals. Our social drive expands beyond our Group's ecosystem. We hold ourselves equally responsible for providing our stakeholders such as customers and local communities the required social assistance needed to elevate them to greater heights.

### To Our Future

We are currently in the process of reviewing our sustainability approach as we intend to explore various ways in which we can improve our sustainability practices and performances across our management and operations. Encouraged by the awards and recognition we received over the years, we aspire to move towards measuring the results and impact of our business and hope to improve our initiatives and reporting, as we build on our existing foundation.

We trust you will find this Sustainability Report informative and we welcome your feedback on how we can further enhance our efforts as we venture forth on to the next phase of our sustainability journey.

**Koay Say Loke Andrew**  
Chairman of Risk Management Committee

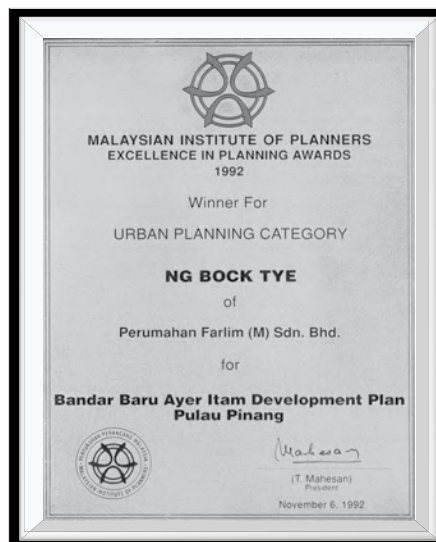
## SUSTAINABILITY STATEMENT (CONT'D)

### AWARDS & RECOGNITION

Over the years, Farlim has been conferred with three coveted awards in recognition for its exemplary performance:



▲  
The Prime Minister's  
1990 Quality Award



▲  
The 1992 Malaysian  
Institute of Planners  
"Excellence in Urban  
Planning" Award



▲  
Champion for the 2011 Jabatan  
Kerja Raya Contractors  
Excellence Award

### MATERIALITY

#### Stakeholder Engagement

Farlim's stakeholders are highly diverse, reflecting the breadth of its footprint within the locality of Malaysia. To put the perspective of stakeholders in place, we engaged with key stakeholders to better understand their expectations and concerns in our businesses. These engagements with stakeholders help us identify areas for improvement and implement effective measures. Table 1 showcases Farlim's engagement with the identified circle of stakeholders and their material sustainability concerns and was derived from an in-house stakeholder engagement workshop held to define the content of the report.

Table 1: Stakeholder Engagement Table

Stakeholder Group	Mode of Engagement	Frequency of Engagement	Concerns
Shareholders / Investors	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Annual Report and Audited Accounts</li> <li>Quarterly Financial Report</li> <li>Extraordinary General Meeting</li> <li>Announcement on Bursa Malaysia and Corporate Website</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Annually</li> <li>Quarterly</li> <li>As and when needed</li> <li>As and when needed</li> </ul>	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Changes in directors and shareholdings</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Departmental and Management Meetings</li> <li>Annual performance appraisal</li> <li>Events and Birthdays / Festive Celebrations</li> <li>Briefing and training</li> </ul>	<ul style="list-style-type: none"> <li>Weekly, Bi-monthly, Monthly</li> <li>Annually</li> <li>Periodically</li> <li>As and when needed</li> </ul>	<ul style="list-style-type: none"> <li>Occupational Health and Safety</li> <li>Training and Education</li> <li>Employment</li> <li>Remuneration Practices</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Feedback channels such as emails, phone calls, walk-in</li> <li>Website and social media</li> <li>Product Launches and Roadshows</li> </ul>	<ul style="list-style-type: none"> <li>As and when needed</li> <li>As and when needed</li> <li>As and when needed</li> </ul>	<ul style="list-style-type: none"> <li>Customer privacy</li> <li>Marketing and Labelling</li> </ul>
Government / Regulators	<ul style="list-style-type: none"> <li>Income Tax Filing</li> <li>Annual Return</li> <li>Progress Report to Housing Ministry</li> <li>Bursa Announcements</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Annually</li> <li>Quarterly</li> <li>Quarterly and as and when needed</li> </ul>	<ul style="list-style-type: none"> <li>Socio Economic Compliance</li> </ul>
Suppliers / Contractors	<ul style="list-style-type: none"> <li>Site Visits</li> <li>Workmanship, Progress and Quality Assessment Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Daily, Bi-monthly, and as and when needed</li> <li>Bi-monthly</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Supply Chain</li> <li>Occupational Health and Safety</li> </ul>
Local Communities	<ul style="list-style-type: none"> <li>Charitable Contributions</li> </ul>	<ul style="list-style-type: none"> <li>As and when needed</li> </ul>	<ul style="list-style-type: none"> <li>Social Impact</li> </ul>

# SUSTAINABILITY STATEMENT (CONT'D)

Materiality workshops are invaluable in clarifying expectations and concerns from our stakeholder groups. Farlim's materiality workshop resulted in a total of nine sustainability-related topics selected. To further define key topics to be disclosed in this report, 12 sustainability disclosures with the greatest weight from our stakeholder groups as well as those with the highest impact to economic, environmental and social factors have been identified for this year's report. All 12 disclosures were approved by the Board of Director of Farlim and can be seen in the table below:-

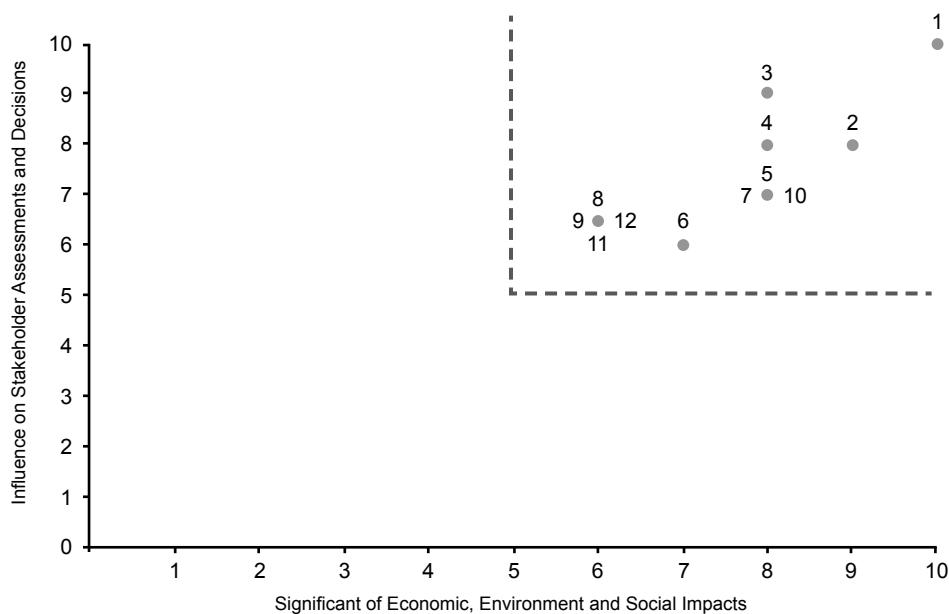


Figure 1: Farlim's Materiality Matrix

Reference Number	Categories	Material Topics	List of Disclosures
1.	Economic	Economic Performance	GRI 201-1: Direct economic value generated and distributed
2.			GRI 201-3: Defined benefit plan obligations and other retirement plans
5.		Market Presence	GRI 202-1: Ratios of standard entry level wage by gender compared to local minimum wage
8.	Environment	Energy	GRI 302-1: Energy consumption within the organization
10.		Environmental Compliance	GRI 307-1: Non-compliance with environmental laws and regulations
9.	Social	Employment	GRI 401-1: New employee hires and employee turnover
4.			GRI 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees
3.		Occupational Health and Safety	GRI 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
7.		Training and Education	GRI 404-1: Average hours of training per year per employee
12.		Marketing and Labelling	GRI 417-2: Incidents of non-compliance concerning product and service information and labeling
11.			GRI 417-3: Incidents of non-compliance concerning marketing communications
6.		Customer Privacy	GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data

Table 2: Disclosure list table

In the following section of this report, we will be disclosing our approach and performance of the selected material sustainability matters of Farlim.

## ECONOMIC

### ECONOMIC PERFORMANCE

#### Why It Matters

At Farlim, we have never ceased in our mission of being a caring and responsible organisation that believes firmly in providing reliable and affordable housing of the highest quality to the general public. As a property developer of repute, particularly in the northern region of Peninsular Malaysia, we are determined to maintain a sustainable supply of reasonably priced housing to cater to the constant demand of affordable residential and commercial properties. This goes concurrently with our responsibility to our investors to ensure that we are on track to achieve our financial goals. We thus strive to continuously enhance our financial performance to create and deliver sustainable value to our investors and stakeholders.

#### How We Approach It

Our strategy has always been about enhancing our core capabilities in property development, regardless of the volatility of the property market. With the success of the Bandar Baru Ayer Itam township project in Penang Island, covering 356 acres and comprising more than 13,000 residential and commercial units, we have embarked on expanding our footprint in Perak, an effort to secure sufficient land banks for the Group in coming years. In the near future, our target is to build and sell more affordable and medium cost residential and commercial units in Bidor, Perak.

Apart from developing innovative marketing strategies to create wider and more effective publicity of the Group's presence in Perak, we also work closely with financial institutions and government authorities to explore attractive financing packages for prospective purchasers of our homes. These initiatives will be examined during our Head of Departments meetings with the Management Committee every fortnight to ensure appropriate measures are undertaken within our budget.

We also keep our management abreast of operational matters, progress of our projects as well as property market outlook during our monthly management meeting. The overall financial performance and key business operations of the Group will be closely monitored aside our budget during the EXCO meeting between Executive Directors and Management Committee.

#### Our Performance

The Group recorded approximately RM10.1 million in economic value generated. Full details on our economic performance can be found in the Financial Statements of the Annual Report.

In 2018, we have invested more than RM 0.58 million into our employees' benefit schemes. These benefit and retirement plans are Employees Provident fund (EPF), Social Security Organisation (SOCSO) and Employment Insurance System (EIS).

While we continue to contribute to our employees' benefit and retirement plans as required by the Labour Law, we acknowledge the fact that 31.3% of our workforce are close to the age of retirement in Malaysia. We also have taken the initiative to re-employ certain employees that have reached the retiring age on a yearly contractual basis.

### REMUNERATION PRACTICES

#### Why It Matters

We want to reward our employees for good performance, as we believe that a fair and equitable remuneration package drives our people to strive for excellence. We, therefore, consider fair remuneration as a significant point to consider, and we constantly aim to improve our policies towards a more transparent and empathetic direction. We offer attractive, well-structured and competitive remuneration package to make the Group a desirable workplace for competent employees. With this, we hope to attract and retain highly skilled talent to secure greater competitiveness, future development and enhanced profitability.

## SUSTAINABILITY STATEMENT (CONT'D)

### How We Approach It

We apply and comply with the local labour requirements that determine remuneration-related matters such as minimum wage levels. Our Personnel Policies on minimum wage structure are in place to ensure equity and non-discrimination in the Group's remuneration practices. Entry level salaries are benchmarked against the market references by function and educational qualification. Base salaries are set to meet market conditions, the demands of the job, and individual competencies and respective performance. In addition, our compensation and benefits package for employees is in line with the corporate rewarding guidelines, local market practices, and labour agreements.

At Farlim, overall remuneration comprises several factors:

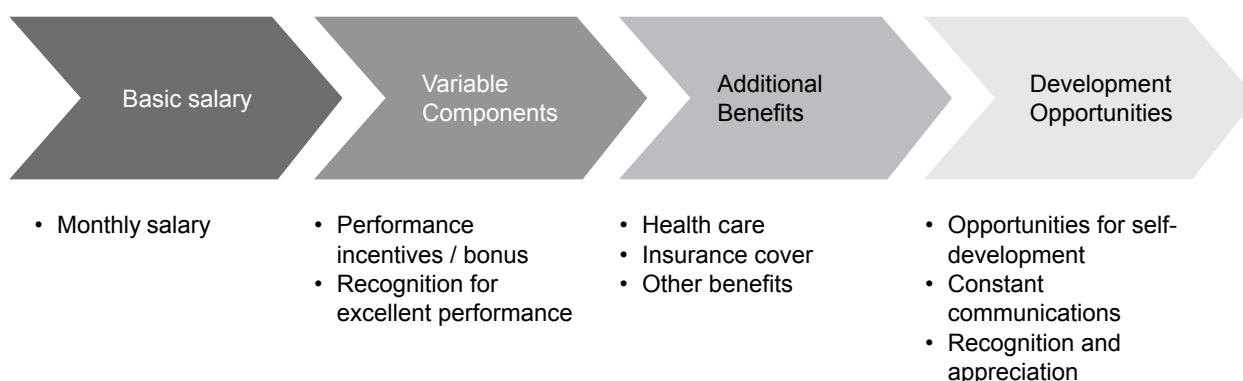


Figure 2: Remuneration Road Map

The Group is committed to eliminating discrimination through pay scaling. The Personnel and Administration manager is in charge to facilitate discussions between the Management and employees on the implementation and improvement of the Group's remuneration practices.

### Our Performance

We are committed to the principle of equal pay for work of equal value. In 2018, no employee was paid at a lower rate than the minimum legislated wage levels. The Group's remuneration practices were fair and there were no structural disparities by gender in entry-level wages.

## ENVIRONMENT

### ENERGY

#### Why It Matters

Farlim's vision is to partake in contributing towards reducing energy consumption at all levels of our operations, as we believe using energy more efficiently can have positive results ecologically and financially. We understand that natural resources are limited and it has become apparent that using what we have efficiently will be less damaging to the environment as well as lower the operating cost for business.

#### How We Approach It

At Farlim, we are still at a preliminary stage with regard to our efforts and resources allocated towards reducing energy consumption. A majority of our energy consumption is from electricity usage. Energy saving initiatives are communicated, driven and monitored from time to time. Notices, emails and daily physical audits are constantly communicated to remind employees on:

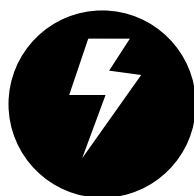
- Switching off lights and/or all electrical gadgets and appliances when not in use;
- Keeping energy efficiency in mind when choosing electrical appliances; and
- Awareness of sustainability around offices and project sites.



We have assigned relevant personnel to monitor and evaluate our electricity consumption in order to acquire usage statistics on a monthly basis. These monthly reports are closely monitored and reviewed by management. No exceptional increase in energy consumption has occurred in the 2018 annual evaluation. During the reporting period, all faulty lights were replaced with LED lighting as part of our strategy towards reducing energy consumption.

## Our Performance

Our source of electricity is primarily purchased from the national utility company, Tenaga Nasional Berhad. The illustration below illustrates our energy consumption for 2018, which is also our baseline year. We hope to continue to reduce our energy consumption and be able to include comparable energy consumption data in future reports.



*Total Electricity  
Consumption in 2018:*  
**324,731 kWh**

## ENVIRONMENTAL COMPLIANCE

### Why It Matters

Farlim is mindful of the environmental footprint due to the nature of our business. Understanding this, we strive to responsibly manage our environmental impacts in all project sites. Our sustainability strategy goes beyond complying with laws and regulations. However, we do recognise our responsibility for complying with relevant environmental laws and regulations (e.g. Environmental Quality Acts 1974) to ensure zero fines and zero non-monetary sanctions resulting from our activities.

### How We Approach It

As a property developer, we acknowledge the impact of our construction activities towards its surrounding communities and are determined to preserve the surrounding environment – an essential component to our health and quality life. We are committed to significantly reducing the impact of our construction activities on the ecosystem at and around our project sites via continuous monitoring. Thus, we plan to set up an Environmental Management Plan (EMP) to closely monitor all activities to ensure our work is carried out according to the environmental laws and regulations at the Group level.

Farlim's operational policies demand that all hired project contractors to assign designated Safety Health Officer (SHO) to maintain zero fines and zero non-monetary sanctions with environmental laws and regulations. The designated SHOs are required to submit monthly Environmental, Safety and Health (ESH) report to the Project and Implementation Department. Some of the key activities related to environmental compliance carried out at project sites by SHO are as follows:

- To act independently and monitor project site activities
- Training relevant person-in-charge on safety and health issues at the workplace on a gradual basis
- Orientation training to all new workers on safety information and expectation while at work
- Monthly safety toolbox meeting for all workers on safe and unsafe practices
- Recycling and re-using project materials (e.g. plywood)
- Proper labelling, storage and disposal of the scheduled waste
- Prohibit open burning at the site

## Our Performance

Over the years, Farlim has become a reputable developer with our strong track record of achieving zero fines and zero non-monetary sanctions with environmental laws and regulations. Some of the strategies implemented in these areas are:

- Environmental Impact Assessment on a need basis.
- Weekly and monthly site inspection.
- Monitoring and tracking the total waste material.
- Training programmes on environmental management system for construction and scheduled waste handling.

Farlim conducts internal audit and reports to the Safety Committee on site, which is shared at the monthly project meetings. Aligned with our strategy and record precedence, our target is to maintain zero fines and zero non-monetary sanctions with regard to environmental laws and regulations.



**Zero**  
*fines and zero non-  
monetary sanctions with  
regard to environmental  
laws and regulations*

# SUSTAINABILITY STATEMENT (CONT'D)

## SOCIAL

### EMPLOYMENT

#### Why It Matters

Caring for talented employees is a vital mechanism for moving the Group towards sustainable growth and long-term business success. Understanding this, Farlim demonstrates its commitment by providing attractive and fair working conditions to retain the right employees and support them in achieving their full potential. As a responsible and supportive employer, we proudly uphold consistent and fair employment policies that respect cultural differences, acknowledges performance based on merit and rewards employees for their contributions.

#### How We Approach It

Employee retention and employee job satisfaction are high on the Group's list of priorities and creating effective retention strategies to decrease turnover is one of our Management's major concerns. We have developed eight employee retention strategies that guide the Group in addressing all of these concerns. The strategies reflected in Figure 3 below are embraced to manage employee turnover, improve cost efficiency, maintain performance and productivity, enhance recruitment and increase the morale of employees.



Figure 3: Farlim's Effective Employee Retention Strategies

In this regard, we have undertaken various initiatives to implement our effective employee retention strategies and engage our employees in 2018, which include the following:

- Annual performance review;
- Staff appreciation long service monetary award
- Annual leave entitlement above the requirements stipulated under the Employment Act and Labour Laws of Malaysia
- Medical check-up entitlement of up to RM500 per year for employees age 50 and above
- Ongoing on-the-job training for all employees
- Training programmes and seminars;
- Ongoing communication and feedback with employees at all levels
- Birthday parties, staff annual dinner and other festive celebrations

The Group has also designed and implemented compensation and benefits packages to reflect the ability of our employees' alignment with corporate values (see Employment section for more information on Farlim's employee benefits). We firmly believe that these initiatives will lead the Group towards a high-performance culture that encourages its employees to deliver their best in day-to-day operations.

Our Management assesses our employee retention strategies as well as compensation and benefits package to ensure we adopt best practices in developing workplace culture and manager-employee relations and stay current on market salary rates and benefits periodically. This helps the Group to maintain high employee morale, translating into a much lower turnover rate.

#### Our Performance

##### *New employee hires and employee turnover*

In 2018, we had an average monthly rate of 0.7% for recruitment of new employees and 1.5% on employees turnover. Moving forward, Farlim will continue to foster an environment that motivates and stimulates employees in order to create a highly engaged employee experiences and thus retain good employees.



*Farlim's employees have maintained an average of*  
**15.84 years**  
*of service.*

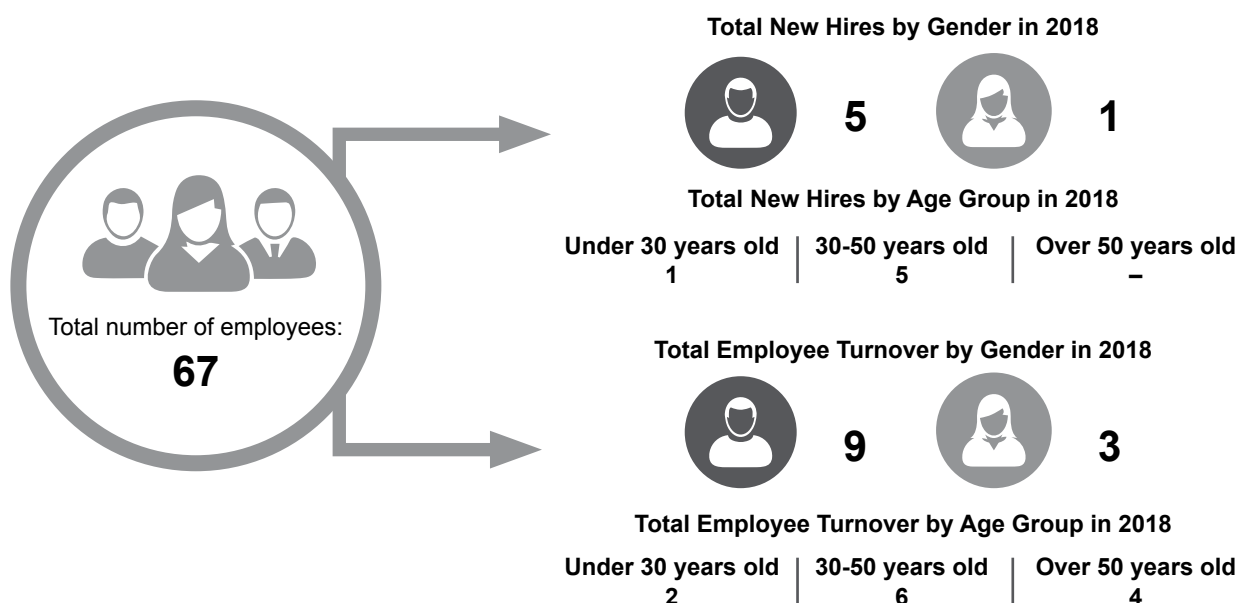


Figure 4: Farlim's Breakdown of Total New Hires and Turnover by Gender and Age Group in 2018

## Compensation and Employee Benefits Provision

In addition to our competitive salaries, we offer an attractive compensation and benefits package that includes Group hospitalisation and surgical insurance, Group personal accident, disability and invalidity coverage, as well as parental leave during the year in review. Our comprehensive compensation and benefits package, which can be categorised as direct or indirect as illustrated in Figure 5 below, is designed to enhance the quality of life, increase financial security and improve work-life balance.

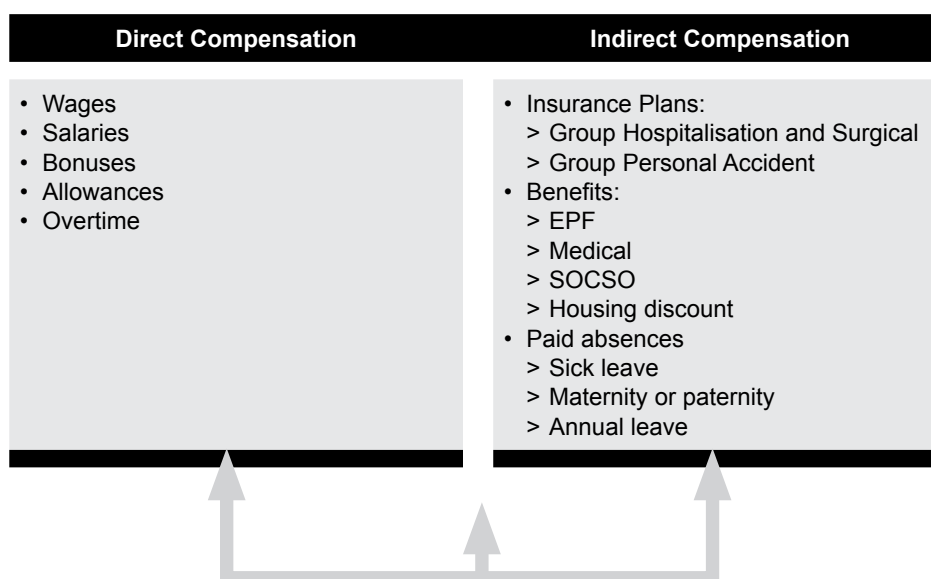


Figure 5: Farlim's Compensation and Benefits Package in 2018

# SUSTAINABILITY STATEMENT (CONT'D)

## OCCUPATIONAL HEALTH AND SAFETY

### Why It Matters

Employees are our most valuable asset. Thus, their well-being, health and safety is a priority for Farlim. We strive to provide the best and safest environment for our employees and contractors on every site, not only to minimise disruption to the business but also to maintain good relationships with the people we engage. We believe that under no circumstance should safety be neglected as it may result in accidents, health issues or even fatality. One of the Group's quality objectives is to ensure zero accidents or health-related issues occur in the workplace. This is supported by the continuous monitoring of our practices across our operations.

### How We Approach It

Our continuous efforts to improve occupational health and safety through the means of instilling preventive practices at the workplace is supported by our Environment, Health and Safety (EHS) Policy. The content of the policy includes the following:

- Routine inspections on risk areas as a precaution to prevent accidents
- Ensure a safe and healthy working environment for all personnel on site
- Establish a safety committee and conduct regular safety meetings
- Promote internal monitoring that complies with Malaysia's Occupational Safety Health Act 1994
- Provide adequate safety signs within the working site
- Maintain proper housekeeping on site

We have established the Environmental Health and Safety Management System (EHS) to support our Group's commitment to improved occupational health and safety. It serves as a fundamental platform and guides for a healthier and safer working environment. The EHS programmes are proactively revised to adopt latest and best approaches towards maintaining a safe working environment. We conduct an internal audit on EHS matters periodically at all our offices and project sites to ensure that the compliance is maintained. For our project sites, it is the responsibility of the project manager to review the findings of the audit and take the necessary corrective actions.

As for our contractors, it is compulsory for them to appoint safety personnel as Health and Safety (H&S) representatives to work closely with our project manager. They work together on on-site H&S matters such as briefing, training, monitoring and reporting. Our Head of Project & Implementation Department is primarily responsible for overseeing and evaluating the performance of EHS matters. The topic is presented in detail through

a monthly safety report, these reports are compiled and submitted by all the safety officers. The department also addresses all H&S grievances reports.

We also maintain a close relationship and continuously participate in initiatives organised by the National Institute of Occupational Safety and Health (NIOSH) and the Department of Occupational Safety and Health (DOSH) to ensure we are aligned to the latest national health and safety aspirations and regulations.

### Our Performance

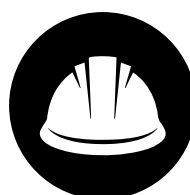
In this reporting year, we have recorded zero injury case as a result of our continuous effort to uphold Occupational, health and safety (OSH) guidelines.

Farlim's H&S Key Initiatives		
Monthly toolbox meeting. It is an informal safety meeting that focuses on safety topics related to the specific job, such as workplace hazards and safe work practices.		All Construction workers must have a CIDB green card. The CIDB Green Card is a registration card issued by CIDB which is compulsory for all personnel who are involved in site construction activity, detailing the personnel's job and degree of expertise.
All Contractors, Sub-contractor and Suppliers to provide ESH management plans.	Safety Officers are registered to Department of Occupational Safety and Health (DOSH)	
Conduct fire drill and safety training at least once a year		

Figure 6: Health and safety Initiatives

Number of Injuries	Number of Cases/ Incidents resulted in lost workdays
0	0
Injury Rate	Lost Day Rate
0	0

Figure 7: Farlim's OSH Performance in 2018



**Zero Injuries Cases**

## TRAINING AND EDUCATION

### Why It Matters

Farlim recognises that achieving its vision and sustainable value-creation objective rests on the ability of its people. Having a well-tuned and effectively trained workforce involves attracting, developing and retaining talented and competitive employees. It is crucial to ensuring competence and intellectual capital in the Group. We, therefore, strive to ensure that we have a steady supply of motivated workforce with the right balance of skills to support our business as well as their personal growth attainment. We plan to invest in learning and development to remain agile and drive innovation in the rapidly evolving market that demands new competencies on a regular basis.

### How We Approach It

We understand the importance of career development and progression for our employees and how these notions can support and supplement our succession plans, a vital component to the future growth and stability of the business. The Group thus aims to clearly articulate the purpose of training for our employees and ensure that there is clear alignment between the training goals and business objectives.

GOALS	OBJECTIVES
Address Weaknesses	<ul style="list-style-type: none"> <li>Allows employees to strengthen the skills that they need to improve.</li> <li>Creates knowledgeable employees who can assist one another when needed and promotes teamwork among them.</li> </ul>
Create consistency	<ul style="list-style-type: none"> <li>Provides employees with consistent experience and professional knowledge.</li> </ul>
Improve Employee Performance	<ul style="list-style-type: none"> <li>Gives employees a greater understanding of their responsibilities within their roles.</li> <li>Builds employees confidence, which in turn enhances their overall performance and benefit to the Group.</li> </ul>
Improve Employee Satisfaction and Morale	<ul style="list-style-type: none"> <li>Improves job satisfaction as employees feel more appreciated through training opportunities.</li> </ul>
Increase Innovation in New Strategies and Products	<ul style="list-style-type: none"> <li>Encourages creativity where new ideas can be formed as a direct result of training and development.</li> </ul>
Increase Productivity and Adherence to Quality Standards	<ul style="list-style-type: none"> <li>Increases efficiency in processes, which in turn ensure project success and improve the Group's performance.</li> </ul>
Reduce Employee Turnover	<ul style="list-style-type: none"> <li>Makes employees feel valued and therefore, less likely to change jobs.</li> <li>Decreases recruitment costs due to employees' retention.</li> </ul>

Figure 8: Farlim's Workforce Training Goals and Objectives

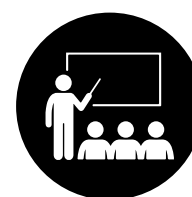
All our department heads play a crucial role in recommending training and encouraging employees to take ownership of their careers. Our employees are also able to design their individual development plans via the Training Request Form. In 2018, we provided a series of development opportunities including external training programmes, workshops, seminars, on-the-job learning and in-house training for our employees.

Some examples of training programmes attended by our employees during the reporting year include the Malaysian Financial Reporting Standard (MFRS) 15: Revenue from Contracts with Customers, MFRS 9 Financial Instruments, Tax Budget 2019, Malaysian Business Reporting System being implemented by Suruhanjaya Syarikat Malaysia, Programme Safety Inductions Construction Workers, and Real Estate and Housing Developers' Association Malaysia (REHDA) Seminar on Ministry of Housing and Local Government's Enforcement of Strata Management Act.

### Our Performance

For this reporting year, more than RM 13,000 was invested in training programmes and approximately 5.5 hours of training was received per employee on average (male: 3.14, female: 7.36). External training programmes were mainly attended by employees at managerial and executive levels. Upon completion of external training programmes, sharing sessions were held to share and transfer knowledge to other employees.

Going forward, the Group will continue to encourage our employees to maximise their potentials via capacity building.



**5.5**

*Average Hours of Training*

# SUSTAINABILITY STATEMENT (CONT'D)

## MARKETING AND LABELLING

### Why It Matters

Being in an industry that is subject to rigorous governance, supervision and public scrutiny, the Group aims to fulfil local regulations not merely in the form of projects, pricing or packages but most importantly to promote Farlim in an ethical manner. This means we not only strive to maintain a good track record in complying with local regulations in our labelling and marketing practices but also consistently uphold our responsibility to present the most accurate information for our projects to homebuyers at all times. We strongly believe this will endear the local community towards Farlim's brand name as well as our well-built homes.

### How We Approach It

To ensure our labelling and marketing practices are accurate and comply with local regulations throughout every Farlim-branded project cycle, we have established Standard Operating Procedures (SOPs) for our internal and external communications. All parties involved ranging from Sales and Marketing Department to external architects and consultants are required to duly adhere to the SOPs so as to avoid disputes pertaining to our labelling and marketing practices. Should any disputes arise, it will be handled timely on a case-by-case basis by our Sales and Marketing Department.

Guided by the SOPs, any changes or amendments made on the sales packages, promotions or pricing will require approval from the Management. All approved advertisement and promotion will be communicated and circulated through a written memo to all members in the Sales and Marketing Department. The memo, which will be updated during our bi-monthly meeting, is vital for us to ensure there is no miscommunication between our main office and branch offices throughout the project cycle.

Greater effort in this respect will be invested when we embark on our project in the new territory such as in Bidor, Perak. This is supplemented by workshops and seminars organised by the state government and relevant agencies pertaining to the property industry to keep the Group abreast of the latest policy amendments.

### Our Performance

In 2018, our efforts have translated into achieving a notable result for our marketing and labelling practices. We have recorded zero non-compliance concerning product and service information and labelling as well as marketing communications. Moving forward, we aim to maintain our achievement by strengthening our brand through our capabilities while constantly finding ways to creatively market the Group and its products.



**Zero**

*Non-compliance cases related  
to Marketing & Labelling*

## CUSTOMER PRIVACY

### Why It Matters

At Farlim, the commitment we place on detail, quality and care of our homebuyers extends to the privacy of personal information that is entrusted to the Group. We are committed to abide by all applicable personal data protection regulations in order to safeguard our customers' personal information against any relevant threats. By keeping our customers' personal information confidential, we are able to enhance customer satisfaction and ultimately maintain a sense of trust between the Group and our customers that have been progressively built since our inception in 1982.

### How We Approach It

In response to rising concerns on cyber and data security in the marketplace, we have established our Group's Personal Data Protection Policy to guide all our day-to-day operations with regards to compliance of the Personal Data Protection Act 2010 ("PDPA"). The seven personal data protection principles asserted in the PDPA are served as the guiding principles in formulating our Group's Personal Data Protection Policy. These principles are made available throughout office notice boards to constantly remind our employees to remain cautious while handling customers' personal information.



<p>Seven Personal Data Protection Principles in PDPA:</p> <ol style="list-style-type: none"> <li>1) General Principle</li> <li>2) Notice and Choice Principle</li> <li>3) Disclosure Principle</li> <li>4) Security Principle</li> <li>5) Retention Principle</li> <li>6) Data Integrity Principle</li> <li>7) Access Principle</li> </ol>	<p>Farlim's Personal Data Protection Policy covers:</p> <ol style="list-style-type: none"> <li>1) Management Information System (MIS) room control</li> <li>2) Security levels measurement</li> <li>3) Password control</li> <li>4) Data backup</li> <li>5) MIS report requisition</li> <li>6) Illegal software control</li> </ol>
--	--

Figure 9: Personal data protection policy and principles

All departments are supported by the Management Information System (MIS) department and a personal data protection affairs manager (PDPAAM) is appointed to set up dedicated security measures, ensuring proper protection on private and confidential information. Any concerns and complaints pertaining to customer privacy will be handled promptly by the PDPAAM and assisted by MIS / Credit Department Manager and subsequently reported to the Group General Manager.

Following our commitment to customer privacy, we take privacy requirements into account at the earliest possible stage. Examples of measures implemented by the Group are listed below:

- PDPA Notice (in English and Bahasa Melayu) is sent to all individual customers to obtain their consent for processing their personal data
- PDPA Consent Form is signed by customers before we proceed further to provide any information requested by their solicitors or financiers
- Letter of undertaking will be obtained from the third party service provider who will be processing customers' personal information on our behalf
- All customers' files and personal information are properly kept in our filing room and server with authorised access allowed only
- Disciplinary action will be taken against employees who wrongfully use customers' personal information

## Our Performance

In 2018, we received zero complaints concerning breaches of customer privacy and loss of customer data. We will remain vigilant towards the increasing customer expectations on privacy while closely and continuously monitoring in our personal data protection practices.



**Zero**

*Complaints concerning breaches of customer privacy and loss of customer data*

## GRI CONTENT INDEX

GRI Standard	Disclosure	Page Reference	Omission
<b>GRI 102: GENERAL DISCLOSURES 2016</b>			
<b>ORGANISATIONAL PROFILE</b>			
GRI 102-1	Name of the organisation	56	
GRI 102-2	Activities, brands, products and services	Refer to the Annual Report	
GRI 102-3	Location of headquarters	56	
GRI 102-4	Location of operations	Refer to the Annual Report	
GRI 102-5	Ownership and legal form	Refer to the Annual Report	
GRI 102-6	Markets served	Refer to the Annual Report	
GRI 102-7	Scale of the organisation	Refer to the Annual Report	

# SUSTAINABILITY STATEMENT (CONT'D)

GRI Standard	Disclosure	Page Reference	Omission
<b>ORGANISATIONAL PROFILE</b>			
GRI 102-8	Information on employees and other workers	65	
GRI 102-9	Supply chain	56	
GRI 102-10	Significant changes to organisation and its supply chain	–	There are no changes to the organisation and the supply chain during the reporting period.
GRI 102-11	Precautionary Principle or approach	Refer to Annual Report	
GRI 102-12	External initiatives	–	There was no external initiatives during the reporting period.
GRI 102-13	Membership of associations	56	
<b>STRATEGY</b>			
GRI 102-14	Statement from senior decision-maker	57	
<b>ETHICS AND INTEGRITY</b>			
GRI 102-16	Values, principles, standards and norms of behaviour	Refer to the Annual Report	
<b>GOVERNANCE</b>			
GRI 102-18	Governance structure	Refer to Annual Report	
<b>STAKEHOLDER ENGAGEMENT</b>			
GRI 102-40	List of stakeholder groups	59	
GRI 102-41	Collective bargaining agreements	–	Collective bargaining agreements is not applicable to Farlim's nature of business.
GRI 102-42	Identifying and selecting stakeholders	59	
GRI 102-43	Approach to stakeholder engagement	59	
GRI 102-44	Key topics and concerns raised	59	
<b>REPORTING PRACTISE</b>			
GRI 102-45	Entities included in the consolidated financial statements	Refer to the Annual Report	
GRI 102-46	Defining report content and topic Boundaries	56	
GRI 102-47	List of material topics	60	
GRI 102-48	Restatements of information	–	No restatement of information during the reporting period.
GRI 102-49	Changes in reporting	–	There are no changes
GRI 102-50	Reporting period	56	
GRI 102-51	Date of the most recent report	56	
GRI 102-52	Reporting cycle	56	
GRI 102-53	Contact point of questions regarding the report	56	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	56	
GRI 102-55	GRI content index	69-71	
GRI 102-56	External assurance	–	The review was performed by the internal team and approved by the management.
<b>GRI 103: MANAGEMENT APPROACH 2016</b>			
GRI 103-1	Explanation of the material topic and its Boundary	61	
GRI 103-2	The management approach and its components	61	
GRI 103-3	Evaluation of the management approach	61	
<b>GRI 201: ECONOMIC PERFORMANCE 2016</b>			
GRI 201-1	Direct economic value generated and distributed	61	
GRI 201-3	Defined benefit plan obligations and other retirement plans	61	

GRI Standard	Disclosure	Page Reference	Omission
<b>GRI 103: MANAGEMENT APPROACH 2016</b>			
GRI 103-1	Explanation of the material topic and its Boundary	61-62	
GRI 103-2	The management approach and its components	61-62	
GRI 103-3	Evaluation of the management approach	61-62	
<b>GRI 202: MARKET PRESENCE 2016</b>			
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	61-62	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>			
GRI 103-1	Explanation of the material topic and its Boundary	62-63	
GRI 103-2	The management approach and its components	62-63	
GRI 103-3	Evaluation of the management approach	62-63	
<b>GRI 302: ENERGY 2016</b>			
GRI 302-1	Energy consumption within the organisation	62-63	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>			
GRI 103-1	Explanation of the material topic and its Boundary	63	
GRI 103-2	The management approach and its components	63	
GRI 103-3	Evaluation of the management approach	63	
<b>GRI 307: ENVIRONMENTAL COMPLIANCE 2016</b>			
GRI 307-1	Non-compliance with environmental laws and regulations	63	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>			
GRI 103-1	Explanation of the material topic and its Boundary	64-65	
GRI 103-2	The management approach and its components	64-65	
GRI 103-3	Evaluation of the management approach	64-65	
<b>GRI 401: EMPLOYMENT 2016</b>			
GRI 401-1	New employees hires and employee turnover	64-65	
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	64-65	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>			
GRI 103-1	Explanation of the material topic and its Boundary	66	
GRI 103-2	The management approach and its components	66	
GRI 103-3	Evaluation of the management approach	66	
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016</b>			
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	66	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>			
GRI 103-1	Explanation of the material topic and its Boundary	67	
GRI 103-2	The management approach and its components	67	
GRI 103-3	Evaluation of the management approach	67	
<b>GRI 404: TRAINING AND EDUCATION 2016</b>			
GRI 404-1	Average hours of training per year per employee	67	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>			
GRI 103-1	Explanation of the material topic and its Boundary	68	
GRI 103-2	The management approach and its components	68	
GRI 103-3	Evaluation of the management approach	68	
<b>GRI 417: MARKETING AND LABELLING 2016</b>			
GRI 417-2	Incidents of non-compliance concerning product and service information and labelling	68	
GRI 417-3	Incidents of non-compliance concerning marketing communications	68	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>			
GRI 103-1	Explanation of the material topic and its Boundary	68-69	
GRI 103-2	The management approach and its components	68-69	
GRI 103-3	Evaluation of the management approach	68-69	
<b>GRI 418: CUSTOMER PRIVACY 2016</b>			
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	68-69	

# STATEMENT EXPLAINING THE BOARD OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL AUDITED FINANCIAL STATEMENTS

PURSUANT TO PARAGRAPH 15.26(A) OF MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

## Responsibilities of the Directors in relation to financial statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company for the financial year ended 31 December, 2018 that give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the results and cash flows of the Group and of the Company for the financial year then ended in accordance with the Malaysian Financial Reporting Standards and the applicable approved accounting standards in Malaysia 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.

The Directors of the Company are responsible for overseeing the Group's financial reporting process.

In order to ensure that the financial statements are properly drawn up, the Board has taken the following measures:-

- ensure the adoption of appropriate, adequate and applicable accounting standards and policies and applied them consistently;
- ensured that applicable approved accounting standards have been complied with;
- where applicable, judgments and estimates are made on a reasonable and prudent basis; and
- upon due inquiry into the state of affairs of the Company, there are no material matters that may affect the ability of the Company to continue in business on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

# FINANCIAL STATEMENTS

Directors' Report  
**74-79**

Statements of Financial Position  
**80-82**

Statements of Comprehensive Income  
**83**

Statements of Changes in Equity  
**84-85**

Statements of Cash Flows  
**86-88**

Notes to the Financial Statements  
**89-162**

Statement by Directors  
**163**

Statutory Declaration  
**164**

Independent Auditors' Report  
**165-170**

# DIRECTORS' REPORT

## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of Farlim Group (Malaysia) Bhd. ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are that of property development and investment holding. The principal activities of the subsidiaries are set out in Note 28 to the financial statements.

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

## RESULTS

	Group RM	Company RM
(Loss)/profit for the financial year	(744,459)	507,026
Attributable to:		
Owners of the Company	(687,313)	507,026
Non-controlling interests	(57,146)	-
	(744,459)	507,026

## DIVIDENDS

No dividend was paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2018.

## RESERVES AND PROVISIONS

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



## BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that 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.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

## CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised 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 which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

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

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

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

## CHANGE OF CIRCUMSTANCES

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

## **DIRECTORS' REPORT (CONT'D)**

### **ITEMS OF MATERIAL AND UNUSUAL NATURE**

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### **ISSUE OF SHARES AND DEBENTURES**

During the financial year, the Company issued 28,065,213 new ordinary shares by way of bonus issue on the basis of one (1) new ordinary share for every five (5) existing ordinary shares held in the Company on 9 July 2018.

The new ordinary shares issued during the financial year rank pari passu in all respect with the existing ordinary shares of the Company.

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

### **DIRECTORS**

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

Tan Sri Dato' Seri Lim Gait Tong\*  
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther\*  
Lim Chu Dick\*  
Koay Say Loke Andrew\*  
Khairilnuar Bin Abdul Rahman  
Adlina Hasni Binti Zainol Abidin  
Eng Kim Leng\*

(resigned on 1 June 2018)

\* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Kwong Yook Faan  
Lim Hock Eng

## DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1.1.2018	Bought	Sold	At 31.12.2018
<b>The Company</b>				
<b>Farlim Group (Malaysia) Bhd.</b>				
<b>Direct</b>				
Tan Sri Dato' Seri Lim Gait Tong	10,000	2,000	-	12,000
Datuk Seri Haji Mohamed Iqbal				
Bin Kuppa Pitchai Rawther	10,000	2,000	-	12,000
Koay Say Loke Andrew	-	2,400	-	2,400
<b>Indirect</b>				
Tan Sri Dato' Seri Lim Gait Tong <sup>(1)</sup>	60,571,234	12,114,246	-	72,685,480
Lim Chu Dick <sup>(1)</sup>	60,571,234	12,114,246	-	72,685,480
<b>The ultimate holding company</b>				
<b>Farlim Holding Sdn. Bhd.</b>				
<b>Direct</b>				
Tan Sri Dato' Seri Lim Gait Tong	45,773	-	-	45,773
Lim Chu Dick	2,303	-	-	2,303
<b>Indirect</b>				
Tan Sri Dato' Seri Lim Gait Tong <sup>(2)</sup>	15,355	-	-	15,355
Lim Chu Dick <sup>(2)</sup>	15,355	-	-	15,355
<b>The subsidiaries</b>				
<b>Baka Suci Sdn. Bhd.</b>				
<b>Direct</b>				
Tan Sri Dato' Seri Lim Gait Tong	10,002	-	-	10,002
<b>Victory Ace Sdn. Bhd.</b>				
<b>Direct</b>				
Tan Sri Dato' Seri Lim Gait Tong	2	-	-	2
<b>Farlim Marketing Sdn. Bhd.</b>				
<b>Direct</b>				
Lim Chu Dick	76,250	-	-	76,250

<sup>(1)</sup> Shares held through the ultimate holding company.

<sup>(2)</sup> Shares held through a corporation in which the director has substantial interests.

## **DIRECTORS' REPORT (CONT'D)**

### **DIRECTORS' INTERESTS (CONTINUED)**

By virtue of their interests in shares in the ultimate holding company, and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Tan Sri Dato' Seri Lim Gait Tong and Mr. Lim Chu Dick are also deemed interested in shares in the Company and its related corporations to the extent that the ultimate holding company has an interest.

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

### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Notes 23 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

### **INDEMNITY TO DIRECTORS AND OFFICERS**

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and officers of the Group were RM5,000,000/- and RM19,697/- respectively.

### **SUBSIDIARIES**

The details of Company's subsidiaries are disclosed in Note 28 to the financial statements.

### **AUDITORS' REMUNERATION**

The details of auditors' remuneration are disclosed in Note 23 to the financial statements.

### **ULTIMATE HOLDING COMPANY**

The directors regard Farlim Holding Sdn. Bhd., a company incorporated and domiciled in Malaysia, as the ultimate holding company.

## **AUDITORS**

The auditors, Messrs. Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

**TAN SRI DATO' SERI LIM GAIT TONG**  
Director

**DATUK SERI HAJI MOHAMED IQBAL BIN KUPPA PITCHAI RAWTHER**  
Director

Date: 28 March 2019

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		1 January
	Note	2018 RM	2017 RM (Restated)	2017 RM (Restated)
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	5	4,537,447	5,419,071	5,709,422
Investment properties	6	4,588,948	4,741,088	4,893,230
Inventories	7	43,539,295	48,453,805	30,332,897
Other investments	9	12,365,954	11,948,162	11,371,174
Goodwill on consolidation	10	2,970,000	2,970,000	2,970,000
<b>Total non-current assets</b>		<b>68,001,644</b>	<b>73,532,126</b>	<b>55,276,723</b>
<b>CURRENT ASSETS</b>				
Inventories	7	26,946,984	13,320,217	14,187,776
Other investments	9	79,656,889	90,215,633	36,063,095
Trade and other receivables	11	4,914,368	5,045,467	8,464,994
Prepayments		100,232	98,770	454,006
Tax recoverable		4,295	513,111	811,438
Cash and short-term deposits	12	4,962,999	3,611,415	68,240,995
<b>Total current assets</b>		<b>116,585,767</b>	<b>112,804,613</b>	<b>128,222,304</b>
<b>TOTAL ASSETS</b>		<b>184,587,411</b>	<b>186,336,739</b>	<b>183,499,027</b>



# STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2018

		Group	
	2018	2017	1 January
Note	RM	(Restated) RM	2017 (Restated) RM
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13 169,041,548	169,041,548	140,326,100
Reserves	14 2,147,909	2,835,222	26,530,275
Shareholders' funds	171,189,457	171,876,770	166,856,375
Non-controlling interests	1,819,795	1,876,941	2,050,800
<b>Total equity</b>	<b>173,009,252</b>	<b>173,753,711</b>	<b>168,907,175</b>
<b>NON-CURRENT LIABILITIES</b>			
Finance lease liabilities	15 -	230,573	389,187
Deferred tax liabilities	16 36,309	44,917	134,507
<b>Total non-current liabilities</b>	<b>36,309</b>	<b>275,490</b>	<b>523,694</b>
<b>CURRENT LIABILITIES</b>			
Finance lease liabilities	15 82,838	158,614	151,050
Trade and other payables	17 5,727,427	4,364,635	5,873,020
Provisions	18 5,496,791	7,712,074	7,975,134
Contract liabilities	19 165,350	-	-
Tax payables	69,444	72,215	68,954
<b>Total current liabilities</b>	<b>11,541,850</b>	<b>12,307,538</b>	<b>14,068,158</b>
<b>Total liabilities</b>	<b>11,578,159</b>	<b>12,583,028</b>	<b>14,591,852</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>184,587,411</b>	<b>186,336,739</b>	<b>183,499,027</b>

# STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2018

		Company	
		2017	1 January
		RM	2017
	Note	RM	RM
		(Restated)	(Restated)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	1,448,655	1,755,355
Investment properties	6	5,421,543	5,541,571
Inventories	7	19,361,942	17,067,195
Investment in subsidiaries	8	48,903,059	47,937,054
Other investments	9	12,333,895	11,915,823
<b>Total non-current assets</b>		<b>87,469,094</b>	<b>84,216,998</b>
<b>CURRENT ASSETS</b>			
Inventories	7	14,517,774	7,705,137
Other investments	9	77,892,550	88,403,268
Trade and other receivables	11	2,865,634	3,136,454
Prepayments		63,176	59,065
Tax recoverable		4,283	511,605
Cash and short-term deposits	12	3,916,613	1,910,677
<b>Total current assets</b>		<b>99,260,030</b>	<b>101,726,206</b>
<b>TOTAL ASSETS</b>		<b>186,729,124</b>	<b>185,943,204</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	169,041,548	169,041,548
Reserves	14	10,704,198	10,197,172
<b>Total equity</b>		<b>179,745,746</b>	<b>179,238,720</b>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities	16	36,309	44,917
<b>Total non-current liabilities</b>		<b>36,309</b>	<b>44,917</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	4,533,123	3,034,324
Provisions	18	2,248,596	3,625,243
Contract liabilities	19	165,350	-
<b>Total current liabilities</b>		<b>6,947,069</b>	<b>6,659,567</b>
<b>Total liabilities</b>		<b>6,983,378</b>	<b>6,704,484</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>186,729,124</b>	<b>185,943,204</b>

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

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
	Note		(Restated)		(Restated)
Revenue	20	10,132,559	26,554,466	8,066,925	26,537,942
Cost of sales	21	(2,528,397)	(8,541,507)	(1,095,618)	(8,527,342)
<b>Gross profit</b>		<b>7,604,162</b>	<b>18,012,959</b>	<b>6,971,307</b>	<b>18,010,600</b>
Other income		4,033,604	4,415,633	3,853,423	3,741,299
Administrative expenses		(12,389,181)	(13,550,425)	(8,679,124)	(8,478,346)
Net impairment losses of receivables		-	-	(260,322)	(724,553)
Other operating expenses		-	-	(1,491,826)	(4,801,306)
<b>Operating (loss)/profit</b>		<b>(751,415)</b>	<b>8,878,167</b>	<b>393,458</b>	<b>7,747,694</b>
Finance income	22	59,819	1,935,026	101,234	1,969,364
Finance expense	22	(37,926)	(22,182)	-	-
<b>(Loss)/profit before taxation</b>	23	<b>(729,522)</b>	<b>10,791,011</b>	<b>494,692</b>	<b>9,717,058</b>
Income tax expense	24	(14,937)	(3,137,953)	12,334	(3,089,362)
<b>(Loss)/profit for the financial year</b>		<b>(744,459)</b>	<b>7,653,058</b>	<b>507,026</b>	<b>6,627,696</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive (loss)/income for the financial year</b>		<b>(744,459)</b>	<b>7,653,058</b>	<b>507,026</b>	<b>6,627,696</b>
<b>(Loss)/profit attributable to:</b>					
Owners of the Company		(687,313)	7,826,917	507,026	6,627,696
Non-controlling interests		(57,146)	(173,859)	-	-
		<b>(744,459)</b>	<b>7,653,058</b>	<b>507,026</b>	<b>6,627,696</b>
<b>Total comprehensive (loss)/income attributable to:</b>					
Owners of the Company		(687,313)	7,826,917	507,026	6,627,696
Non-controlling interests		(57,146)	(173,859)	-	-
		<b>(744,459)</b>	<b>7,653,058</b>	<b>507,026</b>	<b>6,627,696</b>
<b>(Loss)/earnings per share attributable to owners of the Company (sen)</b>					
- basic	25	(0.41)	4.65		
- diluted	25	(0.41)	4.65		

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	← Attributable to owners of the Company →					
	Share Capital RM	Share Premium RM	Available- for-Sale Reserve RM	(Accumulated Losses)/ Retained profits RM	Non- Controlling Interests RM	Total Equity RM
<b>Group</b>						
<b>At 1 January 2017</b>						
- As previously reported	140,326,100	28,715,448	12,008	(2,183,331)	2,054,262	168,924,487
- Effects of transition to MFRSs	-	-	(12,008)	(1,842)	(3,462)	(17,312)
Restated balance at 1 January 2017	140,326,100	28,715,448	-	(2,185,173)	2,050,800	168,907,175
<b>Total comprehensive income for the financial year</b>						
Transition to no par value regime	28,715,448	(28,715,448)	-	-	-	-
Profit for the financial year	-	-	-	7,826,917	(173,859)	7,653,058
Total comprehensive income	28,715,448	(28,715,448)	-	7,826,917	(173,859)	7,653,058
<b>Transaction with owners</b>						
Dividend (Note 31)	-	-	-	(2,806,522)	-	(2,806,522)
<b>At 31 December 2017, restated</b>	169,041,548	-	-	2,835,222	1,876,941	173,753,711
<b>At 31 December 2017</b>						
- As previously reported	169,041,548	-	11,631	2,837,441	1,880,403	173,771,023
- Effects of transition to MFRSs	-	-	(11,631)	(2,219)	(3,462)	(17,312)
Restated balance at 1 January 2018	169,041,548	-	-	2,835,222	1,876,941	173,753,711
<b>Total comprehensive income for the financial year</b>						
Loss for the financial year	-	-	-	(687,313)	(57,146)	(744,459)
<b>At 31 December 2018</b>	169,041,548	-	-	2,147,909	1,819,795	173,009,252

# STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Share Capital RM	Share Premium RM	Retained profits RM	Total Equity RM
<b>Company</b>				
<b>At 1 January 2017</b>				
- As previously reported	140,326,100	28,715,448	6,731,351	175,772,899
- Effect of transition to MFRSs	-	-	(355,353)	(355,353)
Restated balance at 1 January 2017	140,326,100	28,715,448	6,375,998	175,417,546
<b>Total comprehensive income for the financial year</b>				
Transition to no par value regime	28,715,448	(28,715,448)	-	-
Profit for the financial year	-	-	6,627,696	6,627,696
Total comprehensive income	28,715,448	(28,715,448)	6,627,696	6,627,696
<b>Transaction with owners</b>				
Dividend (Note 31)	-	-	(2,806,522)	(2,806,522)
<b>At 31 December 2017, restated</b>	169,041,548	-	10,197,172	179,238,720
<b>At 31 December 2017</b>				
- As previously reported	169,041,548	-	11,277,078	180,318,626
- Effect of transition to MFRSs	-	-	(1,079,906)	(1,079,906)
Restated balance at 1 January 2018	169,041,548	-	10,197,172	179,238,720
<b>Total comprehensive income for the financial year</b>				
Profit for the financial year	-	-	507,026	507,026
<b>At 31 December 2018</b>	169,041,548	-	10,704,198	179,745,746

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
	Note		(Restated)		(Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
(Loss)/profit before taxation		(729,522)	10,791,011	494,692	9,717,058
Adjustments for:					
Depreciation		858,334	860,932	472,069	410,646
Dividend income		(347)	(246)	-	-
Fair value gain on financial assets		(417,791)	(576,988)	(418,071)	(580,773)
Loss/(gain) on disposal of property, plant and equipment		39,111	(18,866)	-	(18,866)
Impairment loss on investment in subsidiaries		-	-	1,491,826	4,801,306
Interest expenses		37,926	22,182	-	-
Interest income		(59,819)	(1,935,026)	(101,234)	(1,969,364)
Income from cash management fund		(2,992,834)	(2,686,597)	(2,940,868)	(2,674,488)
Property, plant and equipment written off		6,811	2	-	-
Provision for directors' retirement benefits		50,000	50,000	50,000	50,000
Write back of provision for liquidated ascertained damages ("LAD")		-	(297,205)	-	-
Impairment loss on amount owing by subsidiaries		-	-	260,321	724,553
Deposit written off		41,515	-	-	-
		(3,166,616)	6,209,199	(691,265)	10,460,072
Changes In Working Capital:					
Inventories		(10,138,904)	802,610	(10,534,031)	6,488,506
Receivables		88,122	3,784,763	266,709	3,361,948
Payables		1,362,792	(17,476,866)	1,498,799	(810,191)
Contract liabilities		165,350	-	165,350	-
		(11,689,256)	(6,680,294)	(9,294,438)	19,500,335
Interest received		59,819	1,935,026	101,234	1,969,364
Interest paid		(27,110)	-	-	-
Dividend paid		-	(2,806,522)	-	(2,806,522)
LAD paid		(838,636)	(348,004)	-	-
Tax paid		(40,667)	(2,925,955)	-	(2,880,541)
Tax refund		523,167	-	511,048	-
<b>Net Operating Cash Flows</b>		<b>(12,012,683)</b>	<b>(10,825,749)</b>	<b>(8,682,156)</b>	<b>15,782,636</b>



# STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group	Company	
		2018 RM	2017 RM (Restated)	2018 RM (Restated)
	Note			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income received		2,992,834	2,686,597	2,940,868
Dividend received		347	246	-
Net change in amount owing by subsidiaries		-	-	(260,321)
Proceeds from disposal of property, plant and equipment		181,132	18,871	-
Investment in preference share in subsidiary		-	-	(2,457,831)
Acquisition of subsidiary		-	(1,765,329)	-
Redemption/(investment) of other investments		10,558,743	(54,152,538)	10,510,717
Purchase of property, plant and equipment	(a)	(51,624)	(418,446)	(45,341)
Net change in cash held under Housing Development Account		(202,899)	(1,426,724)	(640,104)
<b>Net Investing Cash Flows</b>		<b>13,478,533</b>	<b>(55,057,323)</b>	<b>10,047,988</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Fixed deposits held as security value		-	858,510	-
Interest paid		(10,816)	(22,182)	-
Payment to finance lease liabilities	(b)	(306,349)	(151,050)	-
<b>Net Financing Cash Flows</b>		<b>(317,165)</b>	<b>685,278</b>	<b>-</b>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>				
		<b>1,148,685</b>	<b>(65,197,794)</b>	<b>1,365,832</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>				
		<b>956,098</b>	<b>66,153,892</b>	<b>240,680</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>				
	12	<b>2,104,783</b>	<b>956,098</b>	<b>1,606,512</b>

# STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

- a) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM (Restated)
Additions of property, plant and equipment	51,624	418,446	45,341	379,922
Less: Financed by finance lease arrangements	-	-	-	-
Cash payments on purchase of property, plant and equipment	51,624	418,446	45,341	379,922

- (b) Reconciliation of liability arising from financing activities:

Group	1 January 2018 RM	Cash flows RM	31 December 2018 RM
Finance lease liabilities	389,187	(306,349)	82,838
	389,187	(306,349)	82,838

	1 January 2017 RM	Cash flows RM	31 December 2017 RM
Finance lease liabilities	540,237	(151,050)	389,187
	540,237	(151,050)	389,187

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

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at No. 1, Lintang Angsana, Bandar Baru Ayer Itam, 11500 Penang.

The ultimate holding company is Farlim Holding Sdn. Bhd., a company incorporated and domiciled in Malaysia with its registered office located at No. 1, Lintang Angsana, Bandar Baru Ayer Itam, 11500 Penang.

The principal activities of the Company are that of property development and investment holding. The principal activities of the subsidiaries are set out in Note 28 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 March 2019.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

### 2.2 Explanation of transition to MFRSs and change in accounting policy

#### (a) Transition to MFRSs

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*. For periods up to and including the financial year ended 31 December 2017, the Group and the Company prepared their financial statements in accordance with the Financial Reporting Standards ("FRSs") in Malaysia.

In preparing these financial statements, the Group's and the Company's opening MFRSs statements of financial position were prepared as at 1 January 2017 (the date of transition to MFRSs).

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Explanation of transition to MFRSs and change in accounting policy (Continued)

#### (a) Transition to MFRSs (Continued)

The Group and the Company have consistently applied the same accounting policies in the preparation of the financial statements of the Group and of the Company for the financial year ended 31 December 2018, the comparative financial statements for the financial year ended 31 December 2017, and the opening MFRSs statements of financial position as at 1 January 2017. The transition to the MFRSs framework does not have any significant effect on the financial statements of the Group and of the Company except for those discussed below.

#### (i) MFRS 15 Revenue from Contracts with Customers

In the adoption of MFRS 15, the Group and the Company have adopted the following practical expedients as permitted by MFRS 15.C5:

- for completed contracts, the Group and the Company do not restate contracts that:
  - (i) begin and end within the same annual reporting period; or
  - (ii) are completed contracts at the beginning of the earliest period presented;
- For all reporting periods presented before the first MFRS reporting period, i.e. 1 January 2018, the Group and the Company do not disclose the amount of consideration allocated to the remaining performance obligations and an explanation of when the Group and the Company expect to recognise revenue.

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Explanation of transition to MFRSs and change in accounting policy (Continued)

#### (a) Transition to MFRSs (Continued)

##### (i) MFRS 15 Revenue from Contracts with Customers (Continued)

###### (a) Presentation of contract assets and contract liabilities

The Group and the Company have changed the presentation of certain amounts in the statements of financial position to reflect the terminology of MFRS 15:

- (i) Contract assets recognised in relation to property development contracts which were previously presented as accrued billings and retention sum as part of trade and other receivables.
- (ii) Contract liabilities in relation to expected volume discounts and refunds to customers which were previously presented as provisions.

###### (b) Presentation of land held for property development and property development costs

The Group and the Company have reclassified the land held for property development and property development costs to inventories. Disclosure of these balances have been made in the notes to the financial statements.

##### (ii) MFRS 9 Financial Instruments

###### (a) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets:

- (i) Reclassification from available-for-sale financial assets to financial asset at fair value through profit or loss (FVPL)

Certain investments in quoted shares, unquoted shares and unquoted preference shares previously classified as available-for-sale financial assets under MFRS 139 as at 31 December 2016 are classified and measured as financial assets at FVPL on 1 January 2017. The investments do not meet the criteria to be classified as at amortised cost in accordance with MFRS 9 because their cash flows do not represent solely payments of principal and interest. Related fair value gains of RM12,008 were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2017. In the 2018 financial year, fair value losses related to these investments amounting to RM280 were recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Explanation of transition to MFRSs and change in accounting policy (Continued)

#### (a) Transition to MFRSs (Continued)

#### (ii) MFRS 9 Financial Instruments (Continued)

##### (a) Classification and measurement

The following are the changes in the classification of the Company's financial assets (Continued):

##### (ii) Loans and receivables classified as amortised cost

Trade and other receivables and other financial assets, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 December 2016 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2017.

In summary, the Group and the Company had the following reclassifications as at 1 January 2017:

MFRS 139 measurement category	RM	MFRS 9 measurement category	
		Amortised cost	Fair value through profit or loss
		RM	RM
<b>Financial assets</b>			
<b>Group</b>			
<b>Loans and receivables</b>			
Trade and other receivables*	8,482,306	8,464,994	-
Cash and short-term deposits	68,240,995	68,240,995	-
<b>Available-for-sale</b>			
Quoted equity investments	36,124	-	36,124
<b>Fair value through profit or loss</b>			
Other investments	47,398,145	-	47,398,145
	<u>124,157,570</u>	<u>76,705,989</u>	<u>47,434,269</u>
<b>Company</b>			
<b>Loans and receivables</b>			
Trade and other receivables*	6,855,293	6,499,940	-
Cash and short-term deposits	65,029,879	65,029,879	-
<b>Fair value through profit or loss</b>			
Other investments	47,398,145	-	47,398,145
	<u>119,283,317</u>	<u>71,529,819</u>	<u>47,398,145</u>

\* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment in (b) below.



## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Explanation of transition to MFRSs and change in accounting policy (Continued)

#### (a) Transition to MFRSs (Continued)

##### (ii) MFRS 9 Financial Instruments (Continued)

##### (b) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. The Group recognised additional impairment losses on its trade receivables of RM17,312/- arising from application of simplified approach to record lifetime expected credit losses. The Company also recognised additional impairment losses on its amount owing from subsidiaries of RM355,353/- on 1 January 2017 arising from application of general approach to record lifetime expected credit losses.

##### (iii) MFRS 123 Borrowing Costs

In the previous financial years, under FRSs framework, borrowing costs incurred on property under development were capitalised in property development costs. In March 2019, the IFRS Interpretations Committee ("IFRIC") has issued an agenda decision concluding that receivable, contract asset and inventory (work-in-progress) for unsold units under construction are not qualifying assets in relation to the construction of a residential multi-unit real estate development (building). Accordingly, an entity does not capitalised borrowing costs on those assets in accordance to the principle and requirements of IAS 23 *Borrowing Costs*. Upon adoption of MFRSs framework, the Group and the Company changed its accounting policy of not capitalising borrowing costs incurred on property under development when the properties are ready for their intended sale in their current condition. The change in accounting policy was applied retrospectively from the date of transition as permitted in MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*. The Group and the Company elected to apply the optional exemption to not restate the borrowing costs that were capitalised under FRSs framework and that were included in the carrying amount of the assets at that date of transition and shall account for borrowing costs, incurred on or after that date in accordance with MFRS 123 *Borrowing Costs*, including those borrowing costs incurred on or after that date on qualifying assets already under construction. The change in accounting policy does not have any significant impact on the financial statements of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Explanation of transition to MFRSs and change in accounting policy (Continued)

#### (a) Transition to MFRSs (Continued)

##### (iv) Exemption for Business Combinations

MFRS 1 provides the option to apply MFRS 3 *Business Combinations* prospectively from the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition. For the acquisition before date of transition, i.e. 1 January 2017, the Group has elected to apply MFRS 3 prospectively from the date of transition.

#### (b) (i) Statements of financial position

	Note	As per previously reported (Under FRSs) RM	Effect of MFRSs Adjustment RM	As restated (Under MFRSs) RM
<b>Group At 1 January 2017</b>				
Land held for property development	2.2(a)(i)(b)	30,332,897	(30,332,897)	-
Property development cost	2.2(a)(i)(b)	13,374,970	(13,374,970)	-
Inventories:				
- Property held for development	2.2(a)(i)(b)	-	30,332,897	30,332,897
- Property under development	2.2(a)(i)(b)	-	13,374,970	13,374,970
Trade and other receivables	2.2(a)(ii)(b)	8,482,306	(17,312)	8,464,994
<b>At 31 December 2017</b>				
Land held for property development	2.2(a)(i)(b)	48,453,805	(48,453,805)	-
Property development cost	2.2(a)(i)(b)	11,665,918	(11,665,918)	-
Inventories:				
- Property held for development	2.2(a)(i)(b)	-	48,453,805	48,453,805
- Property under development	2.2(a)(i)(b)	-	11,665,918	11,665,918
Trade and other receivables	2.2(a)(ii)(b)	5,062,779	(17,312)	5,045,467

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Explanation of transition to MFRSs and change in accounting policy (Continued)

#### (b) (i) Statements of financial position (Continued)

	Note	As per previously reported (Under FRSs) RM	Effect of MFRSs Adjustment RM	As restated (Under MFRSs) RM
<b>Company</b>				
<b>At 1 January 2017</b>				
Land held for property development	2.2(a)(i)(b)	21,797,906	(21,797,906)	-
Property development cost	2.2(a)(i)(b)	9,035,371	(9,035,371)	-
Inventories:				
- Property held for development	2.2(a)(i)(b)	-	21,797,906	21,797,906
- Property under development	2.2(a)(i)(b)	-	9,035,371	9,035,371
Trade and other receivables	2.2(a)(ii)(b)	6,855,293	(355,353)	6,499,940
<b>At 31 December 2017</b>				
Land held for property development	2.2(a)(i)(b)	17,067,195	(17,067,195)	-
Property development cost	2.2(a)(i)(b)	7,318,233	(7,318,233)	-
Inventories:				
- Property held for development	2.2(a)(i)(b)	-	17,067,195	17,067,195
- Property under development	2.2(a)(i)(b)	-	7,318,233	7,318,233
Trade and other receivables	2.2(a)(ii)(b)	4,216,360	(1,079,906)	3,136,454

#### (b) (ii) Reconciliation of statement of total comprehensive income

	Note	2017 RM
<b>Company</b>		
Total comprehensive income as reported under FRSs		7,352,249
- Expected credit losses on amount owing by subsidiaries	2.2(a)(ii)(b)	(724,553)
Total comprehensive income (restated under MFRSs)		6,627,696

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.2 Explanation of transition to MFRSs and change in accounting policy (Continued)

#### (iii) Reconciliation of equity

Group	Note	1 January 2017 RM	2017 RM
Equity as reported under FRSs		168,924,487	173,771,023
Add/(less):			
Effect of transition of MFRSs			
- Trade receivables	2.2(a)(ii)(b)	(17,312)	(17,312)
Equity (restated under MFRSs)		<u>168,907,175</u>	<u>173,753,711</u>
<b>Company</b>			
Equity as reported under FRSs		175,772,899	180,318,626
Add/(less):			
Effect of transition of MFRSs			
- Amount owing by subsidiaries	2.2(a)(ii)(b)	(355,353)	(1,079,906)
Equity (restated under MFRSs)		<u>175,417,546</u>	<u>179,238,720</u>

#### (iv) Reconciliation of statements of cash flows

There is no difference between the restated statements of cash flows as presented under the FRSs.

### 2.3 Basis of measurement

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

### 2.4 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs 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 judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement 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 that are significant to the financial statements are disclosed in Note 4 to the financial statements.

### 2.5 Functional and presentation currency

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

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.6 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021 <sup>#</sup>
MFRS 2	Share-based Payment	1 January 2020 <sup>*</sup>
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020 <sup>*</sup>
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021 <sup>#</sup>
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020 <sup>*</sup>
MFRS 7	Financial Instruments: Disclosures	1 January 2021 <sup>#</sup>
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020 <sup>*</sup>
MFRS 15	Revenue from Contracts with Customers	1 January 2021 <sup>#</sup>
MFRS 101	Presentation of Financial Statements	1 January 2020 <sup>*</sup>
MFRS 107	Statements of Cash Flows	1 January 2021 <sup>#</sup>
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020 <sup>*</sup>
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021 <sup>#</sup>
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021 <sup>#</sup>
MFRS 134	Interim Financial Reporting	1 January 2020 <sup>*</sup>
MFRS 136	Impairment of Assets	1 January 2021 <sup>#</sup>
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020 <sup>*</sup>
MFRS 138	Intangible Assets	1 January 2020 <sup>*</sup>
MFRS 140	Investment Property	1 January 2021 <sup>#</sup>
<u>New IC Int</u>		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.6 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Continued)

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective (Continued):

		Effective for financial periods beginning on or after
<u>Amendments to IC Int</u>		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

\* *Amendments to References to the Conceptual Framework in MFRS Standards*

# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

**2.6.1** The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below.

#### **Amendments to MFRS 9 Financial Instruments**

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

#### **Amendments to MFRS 112 Income Taxes**

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

#### **Amendments to MFRS 123 Borrowing Costs**

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.6 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Continued)

#### ***IC Int 23 Uncertainty over Income Tax Treatments***

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

- (i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- (ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

#### ***Amendments to References to the Conceptual Framework in MFRS Standards***

The Malaysian Accounting Standards Board has issued a *revised Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

- 2.6.2** The Group is currently performing a detailed analysis to determine the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

### 3.1 Basis of Consolidation

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

#### (a) Subsidiaries and business combination

Subsidiaries are entities over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.2.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of Consolidation (Continued)

#### (a) Subsidiaries and business combination (Continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of Consolidation (Continued)

#### (b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

#### (c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.2 Goodwill on Consolidation

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest and any previously-held equity interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

Goodwill is stated at cost less any accumulated impairment losses. For the purpose of impairment assessment, goodwill is allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with MFRS 8 Operating Segments. The carrying amount of goodwill is assessed annually for impairment, or more frequently if events or changes in carrying amount of its net assets, including attributable goodwill. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where the fair value of the Group's share of identifiable net assets acquired exceed the amount of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest, the entire resulting gain is recognised immediately in the statement of profit or loss.

### 3.3 Separate Financial Statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.11(b).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

#### (a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

##### (i) Financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses
- Financial assets at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial Instruments (Continued)

#### (a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

#### (i) Financial assets (Continued)

The Group and the Company reclassify financial assets when and only when its business model for managing those assets changes.

##### Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group and the Company classifies their debt instruments:

- **Amortised cost**

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through profit or loss (FVPL)**

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial Instruments (Continued)

#### (a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

##### (i) Financial assets (Continued)

###### Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that are not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

##### (ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

###### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

###### Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial Instruments (Continued)

#### (b) Derecognition

A financial asset or a part of it is derecognised when, and only when:

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

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

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

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) 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, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### (c) Offsetting of financial instruments

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.5 Property, Plant and Equipment

#### (a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition of measurement of impairment losses is in accordance with Note 3.11(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are 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 a separate items of property, plant and equipment.

#### (b) Subsequent cost

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

#### (c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated.

Property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives. The annual rates used for this purpose are as follows:

	Useful lives
Long term leasehold land	84 - 94 years
Buildings	2% - 4.5%
Buildings improvements	10% - 15%
Plant and machinery	9% - 20%
Motor vehicles	18% - 20%
Furniture, fittings and equipment	10% - 20%

The residual values useful lives and depreciation methods are reviewed at the end of each month reporting period and adjusted as appropriate.

Fully depreciated assets are retained in the financial statements until the assets are no longer in use.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.5 Property, Plant and Equipment (Continued)

#### (d) Derecognition

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

### 3.6 Investment Properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties on freehold land are stated at cost less accumulated impairment losses, if any, and are not depreciated as it has an indefinite life. Whereas, other investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

Other investment properties are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful life at an annual rate of 2%.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.15.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

### 3.7 Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined based on specific identification. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Inventories (Continued)

#### Property under development

Cost includes:

- freehold and leasehold rights for land
- amounts paid to contractors for construction
- planning and design costs, costs for site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs

The cost of inventory recognised in profit or loss is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative sale value of the property sold.

### 3.8 Contract Assets/(Liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance).

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a).

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

### 3.9 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

#### (a) Lessee Accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Leases (Continued)

#### (a) Lessee Accounting (Continued)

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

#### (b) Lessor Accounting

If an entity in the Group is a lessor in operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

### 3.10 Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Impairment of Assets

#### (a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost and lease receivables will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, contract assets and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Impairment of Assets (Continued)

#### (a) Impairment of financial assets and contract assets (Continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assess whether financial assets carried at amortised cost is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Impairment of Assets (Continued)

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

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its 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 or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Share Capital

#### Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 3.13 Employee Benefits

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

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

#### (b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

#### (c) Defined benefit plans

The Group and the Company operate an unfunded benefits scheme to the director.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligation at each financial year end.

### 3.14 Provisions

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Provisions (Continued)

#### Legal claims

For lawsuit provisions, a probability-weighted expected outcome is applied in the measurement, taking into account past court judgements made in similar cases and advice of legal experts.

### 3.15 Borrowing Costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

### 3.16 Revenue and Other Income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Revenue and Other Income (Continued)

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

#### (a) Property development

The Group and the Company develop and sell residential and commercial properties. Contracts with customers may include multiple distinct promises to customers and therefore accounted for as separate performance obligations. In the contract with customer contains more than one performance obligation, when the stand-alone selling price are not directly observable, they are estimated based on expected cost plus margin.

Revenue from residential and commercial properties are recognised as and when the control of the asset is transferred to the customer. Based on the terms of the contract and the laws that apply to the contract, control of the asset is transferred over time as the Group's and the Company's performance do not create an asset with an alternative use to the Group and the Company and the Group and the Company have an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of property development costs incurred for work performed to date bear to the estimated total property development costs (an input method).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Revenue and Other Income Recognition (Continued)

#### (a) Property development (Continued)

The consideration is due based on the scheduled payments in the contract, therefore, no element of financing is deemed present. When a particular milestone is reached in excess of the scheduled payments, a contract asset will be recognised for the excess of revenue recognised to date under the input method over the progress billings to-date and include deposits or advances received from customers. When the progress billings to-date and include deposits or advances received from customers exceeds revenue recognised to date then the Group and the Company recognise a contract liability for the difference.

Consistent with market practice, the Group and the Company collect deposit from customers for sale of properties. A contract liability is recognised for the customer deposits as the Group and the Company have obligations to transfer the goods or services to the customer in respect of deposits received. Customer deposits would be recognised as revenue upon transfer of goods or services to the customer.

Revenue is recognised based on the transaction price agreed in the contracts, net of any marketing promotional packages offered to the customers which are to be incurred by the Group and the Company. The Group and the Company use the expected value method because it is the method that the Group and the Company expect to better compute the amount of consideration to which they will be entitled. The amount of revenue recognised does not include any marketing promotional packages which are constrained.

#### (b) Interest income

Interest income is recognised using the effective interest method.

#### (c) Dividend income

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

#### (d) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Revenue and Other Income Recognition (Continued)

#### (e) Sales of goods and completed properties

The Group sells completed properties and a range of building materials to local customers. Revenue from sales of completed properties and building materials are recognised at a point in time when control of the products has been transferred, being when the customers accept the delivery of the goods.

#### (f) Inter-company transactions

Inter-company transactions are excluded from the revenue of the Group.

#### (g) Commission income

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

### 3.17 Income Tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

#### (i) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

#### (ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally 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.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 Income Tax (Continued)

#### (ii) Deferred tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

### 3.18 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee of operations who is responsible for allocating resources and assessing performance of the operating segments and recommends strategic decisions to the Board.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.19 Fair Value Measurements

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

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

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

### 3.20 Contingencies

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

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

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

### 3.21 Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.22 Contract costs

#### (a) Recognition and measurement

Contract costs include costs of obtaining and fulfilling a contract.

The incremental costs of obtaining a contract are those costs that the Group and the Company incur to obtain a contract with a customer which they would not have incurred if the contract had not been obtained. The incremental costs of obtaining a contract with a customer are recognised as part of contract costs when the Group and the Company expect those costs are recoverable.

The costs incurred in fulfilling a contract with a customer which are not within the scope of another MFRSs, such as MFRS 102 Inventories, MFRS 116 Property, Plant and Equipment or MFRS 138 Intangible Assets, are recognised as part of contract costs when all of the following criteria are met:

- (a) the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
- (b) the costs generate or enhance resources of the Group and the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

#### (b) Amortisation

The costs of obtaining and fulfilling a contract are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, i.e. in accordance with the pattern of transfer of goods or services to which the asset relates. The amortisation shall be updated subsequently to reflect any significant change to the expected timing of transfer to the customer of the goods or services to which the asset relates in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimate and Errors.

#### (c) Impairment

Impairment loss are recognised in profit or loss to the extent that the carrying amount of the contract cost exceeds:

- (a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates; less
- (b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Before an impairment loss is recognised for contract costs, the Group and the Company shall recognise any impairment loss for assets related to the contract that are recognised in accordance with another MFRSs, such as MFRS 102, MFRS 116 and MFRS 138. The Group and the Company shall include the resulting carrying amount of the contract costs in the carrying amount of the cash-generating unit to which it belongs for the purpose of applying MFRS 136 *Impairment of Assets* to that cash-generating unit.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.22 Contract costs (Continued)

#### (c) Impairment (Continued)

An impairment loss is reversed when the impairment conditions no longer exist or have improved. Such reversal is recognised in profit or loss.

The Group and the Company have applied the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity would have recognised is one year or less.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

#### (a) Property development revenue and expenses (Note 7)

The Group recognised property development revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the property development costs incurred, the estimated total property development revenue and expenses, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

#### (b) Provisions (Note 18)

The Group and the Company recognise provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recognition of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at each reporting date and adjusted to reflect the Group's and the Company's current best estimate.

#### (c) Impairment of goodwill (Note 10)

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the CGU to which goodwill is allocated. Estimating the recoverable amount requires the management to make an estimation of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2018 was RM2,970,000/-.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. PROPERTY, PLANT AND EQUIPMENT

Group 2018	Freehold Land RM	Long Term Leasehold Land RM	Buildings RM	Buildings Improvements RM	Plant and Machinery RM	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Total RM
<b>Cost</b>								
At 1 January 2018	1,869,244	240,267	1,903,915	1,576,825	12,900	3,498,552	2,669,545	11,771,248
Additions	-	-	-	-	-	-	51,624	51,624
Disposals	-	-	-	-	-	(357,151)	-	(357,151)
Write-offs	-	-	-	-	-	-	(10,693)	(10,693)
At 31 December 2018	1,869,244	240,267	1,903,915	1,576,825	12,900	3,141,401	2,710,476	11,455,028
<b>Accumulated Depreciation and Impairment Loss</b>								
At 1 January 2018	-	76,183	682,349	1,110,833	12,900	2,387,583	2,082,329	6,352,177
Charge for the financial year	-	2,191	41,276	97,490	-	401,983	163,254	706,194
Disposals	-	-	-	-	-	(136,908)	-	(136,908)
Write-offs	-	-	-	-	-	-	(3,882)	(3,882)
At 31 December 2018	-	78,374	723,625	1,208,323	12,900	2,652,658	2,241,701	6,917,581
<b>Net Carrying Amount At 31 December 2018</b>	1,869,244	161,893	1,180,290	368,502	-	488,743	468,775	4,537,447

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2017	Freehold Land RM	Long Term Leasehold Land RM	Buildings RM	Buildings Improvements RM	Plant and Machinery RM	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Total RM
<b>Cost</b>								
At 1 January 2017	1,869,244	240,267	1,903,915	1,576,825	12,900	3,292,359	2,588,681	11,484,191
Additions	-	-	-	-	-	329,138	89,308	418,446
Disposals	-	-	-	-	-	(122,945)	(6,964)	(129,909)
Write-offs	-	-	-	-	-	-	(1,480)	(1,480)
At 31 December 2017	1,869,244	240,267	1,903,915	1,576,825	12,900	3,498,552	2,669,545	11,771,248
<b>Accumulated Depreciation and Impairment Loss</b>								
At 1 January 2017	-	73,992	641,073	1,013,343	12,900	2,099,909	1,933,552	5,774,769
Charge for the financial year	-	2,191	41,276	97,490	-	410,618	157,215	708,790
Disposals	-	-	-	-	-	(122,944)	(6,960)	(129,904)
Write-offs	-	-	-	-	-	-	(1,478)	(1,478)
At 31 December 2017	-	76,183	682,349	1,110,833	12,900	2,387,583	2,082,329	6,352,177
<b>Net Carrying Amount At 31 December 2017</b>	1,869,244	164,084	1,221,566	465,992	-	1,110,969	587,216	5,419,071

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2018	Freehold Land RM	Long Term Leasehold Land RM	Buildings RM	Buildings Improvements RM	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Total RM
<b>Cost</b>							
At 1 January 2018	264,940	110,785	763,088	923,125	2,039,378	1,548,485	5,649,801
Additions	-	-	-	-	-	45,341	45,341
At 31 December 2018	264,940	110,785	763,088	923,125	2,039,378	1,593,826	5,695,142
<b>Accumulated Depreciation and Impairment Loss</b>							
At 1 January 2018	-	42,555	330,900	758,548	1,406,129	1,356,314	3,894,446
Charge for the financial year	-	1,050	15,940	26,654	225,022	83,375	352,041
At 31 December 2018	-	43,605	346,840	785,202	1,631,151	1,439,689	4,246,487
<b>Net Carrying Amount</b>							
At 31 December 2018	264,940	67,180	416,248	137,923	408,227	154,137	1,448,655

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2017	Freehold Land RM	Long Term Leasehold Land RM	Buildings RM	Buildings Improvements RM	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Total RM
<b>Cost</b>							
At 1 January 2017	264,940	110,785	763,088	923,125	1,837,531	1,500,319	5,399,788
Additions	-	-	-	-	324,792	55,130	379,922
Disposals	-	-	-	-	(122,945)	(6,964)	(129,909)
At 31 December 2017	264,940	110,785	763,088	923,125	2,039,378	1,548,485	5,649,801
<b>Accumulated Depreciation and Impairment Loss</b>							
At 1 January 2017	-	41,505	314,960	731,894	1,358,182	1,287,192	3,733,733
Charge for the financial year	-	1,050	15,940	26,654	170,891	76,082	290,617
Disposals	-	-	-	-	(122,944)	(6,960)	(129,904)
At 31 December 2017	-	42,555	330,900	758,548	1,406,129	1,356,314	3,894,446
<b>Net Carrying Amount</b>							
At 31 December 2017	264,940	68,230	432,188	164,577	633,249	192,171	1,755,355

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The long-term leasehold land of the Group has an unexpired lease period of more than 50 years.

The net carrying amount of property, plant and equipment of the Group and of the Company includes the following property, plant and equipment acquired under finance lease arrangements:

	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Motor vehicles	80,512	449,264

## 6. INVESTMENT PROPERTIES

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>Cost</b>				
At 1 January/31 December	5,597,270	5,597,270	6,001,424	6,001,424
<b>Accumulated Depreciation and Impairment Loss</b>				
At 1 January	856,182	704,040	459,853	339,824
Charge for the financial year	152,140	152,142	120,028	120,029
At 31 December	1,008,322	856,182	579,881	459,853
Net Carrying Amount at 31 December	4,588,948	4,741,088	5,421,543	5,541,571
Fair Value	8,230,000	8,278,000	6,460,000	6,460,000

The following are recognised in profit or loss in respect of investment properties:

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Rental income	229,700	271,150	218,800	244,200
Direct operating expenses:				
- income generating investment properties	153,519	162,623	142,570	143,766



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 6. INVESTMENT PROPERTIES (CONTINUED)

Fair value of investment properties for the Group and the Company are categorised as follows:

	<b>Fair Value</b>			
	<b>Total RM</b>	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>
<b>Group 2018</b>				
Investment properties	8,230,000	-	5,730,000	2,500,000
<b>2017</b>				
Investment properties	8,278,000	-	8,278,000	-
<b>Company 2018</b>				
Investment properties	6,460,000	-	3,960,000	2,500,000
<b>2017</b>				
Investment properties	6,460,000	-	6,460,000	-

### Level 2 fair value

The fair value on the investment properties is determined based on sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is price per square foot of comparable properties.

### Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

<b>Description</b>	<b>Valuation technique</b>	<b>Significant unobservable input</b>	<b>Relationship of unobservable inputs</b>
Commercial space	Sales comparison approach	Price per square foot RM104/- (2017: RM104/-)	The higher the price per square foot, the higher the fair value

During the financial year ended 31 December 2018 or 31 December 2017, there have been no transfers between Level 1 and Level 2 fair value measurements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 7. INVENTORIES

	2018 RM	2017 RM (Restated)	1 January 2017 RM (Restated)
<b>Group</b>			
<b>At lower of cost and net realisable value :</b>			
<b>Non-current</b>			
Property held for development			
- Freehold land at cost	325,530	325,530	325,530
- Leasehold land at cost	26,907,462	28,637,281	19,443,498
- Development costs	16,306,303	19,490,994	10,563,869
	<u>43,539,295</u>	<u>48,453,805</u>	<u>30,332,897</u>
<b>Current</b>			
Property under development			
- Leasehold land at cost	9,826,593	7,960,704	4,660,526
- Development costs	16,784,670	3,705,214	8,714,444
Completed properties	335,721	1,654,299	812,806
	<u>26,946,984</u>	<u>13,320,217</u>	<u>14,187,776</u>
<b>Company</b>			
<b>At lower of cost and net realisable value :</b>			
<b>Non-current</b>			
Property held for development			
- Leasehold land at cost	13,234,579	13,580,188	17,386,405
- Development costs	6,127,363	3,487,007	4,411,501
	<u>19,361,942</u>	<u>17,067,195</u>	<u>21,797,906</u>
<b>Current</b>			
Property under development			
- Leasehold land at cost	6,079,848	5,823,041	2,522,864
- Development costs	8,437,926	1,495,192	6,512,507
Completed properties	-	386,904	95,411
	<u>14,517,774</u>	<u>7,705,137</u>	<u>9,130,782</u>

- (a) The cost of inventories of the Group and the Company recognised as an expense in cost of sales during the financial year in respect of continuing operations was RM2,027,290/- (2017: RM8,527,342/-) and RM1,095,618/- (2017: RM8,527,342/-) respectively.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. INVESTMENT IN SUBSIDIARIES

	Company	
	2018	2017
	RM	RM
<b>Unquoted shares, at cost</b>		
Ordinary shares	46,718,267	46,718,267
Preference shares	35,957,530	33,499,699
	82,675,797	80,217,966
Less: Accumulated impairment losses	(33,772,738)	(32,280,912)
	<u>48,903,059</u>	<u>47,937,054</u>

- (a) The Company's equity interest in the subsidiaries, country of incorporation and their respective principal activities are disclosed in Note 28 to the financial statements.
- (b) In the financial year, the Company had subscribed for 2,457,831/- (2017: 25,869,780/-) redeemable preference shares in two wholly owned subsidiaries for a total consideration of RM2,457,831/-.

The redemption of preference shares and payment of preference dividends are based on the discretion of the issuer's directors up to 5% per annum and is non-cumulative.

- (c) Acquisition of Farlim (Perak) Sdn. Bhd.

On 10 January 2017, the Company had completed the acquisition of 100% equity interest in Farlim (Perak) Sdn. Bhd. pursuant to Clause 8.1 of the Share Sale Agreement dated 15 November 2016 for a total purchase consideration of RM2,280,769/-.

- (i) Purchase consideration

	RM
Fair value consideration paid	<u>2,280,769</u>

- (ii) Fair value of the identifiable assets acquired and liabilities recognised:

	RM
<b>Assets</b>	
Property development costs	17,723,810
Deposits	10,000
Cash and bank balances	515,440
<b>Total assets</b>	<u>18,249,250</u>
<b>Liabilities</b>	
Trade payables and other payables	(15,968,481)
<b>Total liabilities</b>	<u>(15,968,481)</u>
<b>Total identifiable net assets acquired</b>	<u>2,280,769</u>

## 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### (c) Acquisition of Farlim Perak Sdn. Bhd. (Continued)

#### (iii) Effects of acquisition on cash flows:

##### Net cash outflow arising from acquisition of subsidiary

	RM
Fair value of consideration transferred	2,280,769
Less: Cash and cash equivalents of a subsidiary acquired	(515,440)
<b>Net cash outflows on acquisition</b>	<b>1,765,329</b>

#### (iv) Effects of acquisition in the statements of comprehensive income

From the date of acquisition, the subsidiary's contributed revenue and loss after tax are as follows:

	RM
Revenue	-
Loss for the financial year	(53,054)

If the acquisition had occurred on 1 January 2017, the consolidated results for the financial year ended 31 December 2017 would have been as follows:

	RM
Revenue	-
Loss for the financial year	(53,054)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### (d) Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

Group 2018	LJ Harta Sdn. Bhd. RM	Farlim Marketing Sdn. Bhd. RM	Other individually immaterial subsidiaries RM	Total RM
<b>NCI percentage of ownership interest and voting interest</b>	20%	49%		
Carrying amount of NCI	1,172,944	659,598	(12,747)	1,819,795
Loss allocated to NCI in current financial year	(42,160)	(12,081)	(2,905)	(57,146)
<b>Summarised financial information before intra-group elimination</b>				
<b>As at 31 December 2018</b>				
Non-current assets	-	253,178	-	253,178
Current assets	10,509	1,182,969	206	1,193,684
Current liabilities	(1,373,603)	(90,034)	(80,539)	(1,544,176)
Net (liabilities)/assets	(1,363,094)	1,346,113	(80,333)	(97,314)
<b>Summarised statements of comprehensive income</b>				
<b>Financial year ended 31 December 2018</b>				
Revenue	-	529,699	-	529,699
Loss for the financial year	(210,799)	(24,656)	(12,825)	(248,280)
Total comprehensive loss	(210,799)	(24,656)	(12,825)	(248,280)
<b>Summarised statements of cash flows information</b>				
<b>Financial year ended 31 December 2018</b>				
Cash flows used in operating activities	(207,125)	(151,835)	-	(358,960)
Cash flows used in investing activities	255,000	200,000	-	455,000
Cash flows from financing activities	(60,206)	-	-	(60,206)
Net (decrease)/increase in cash and cash equivalents	(12,331)	48,165	-	35,834

## 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### (d) Non-controlling interests in subsidiaries (Continued)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows (Continued):

Group 2017 (Restated)	2017			Total RM
	LJ Harta Sdn. Bhd. RM	Farlim Marketing Sdn. Bhd. RM	Other individually immaterial subsidiaries RM	
NCI percentage of ownership interest and voting interest	20%	49%		
Carrying amount of NCI	1,215,104	671,679	(9,842)	1,876,941
Loss allocated to NCI in current financial year	(146,776)	(24,147)	(2,936)	(173,859)
<b>Summarised financial information before intra-group elimination</b>				
<b>As at 31 December 2017, restated</b>				
Non-current assets	1	277,535	-	277,536
Current assets	22,840	1,120,086	206	1,143,132
Current liabilities	(1,175,136)	(26,848)	(67,714)	(1,269,698)
Net (liabilities)/assets	(1,152,295)	1,370,773	(67,508)	150,970
<b>Summarised statements of comprehensive income</b>				
<b>Financial year ended 31 December 2017, restated</b>				
Revenue	-	16,525	-	16,525
Loss for the financial year	(733,880)	(49,279)	(12,938)	(796,097)
Total comprehensive loss	(733,880)	(49,279)	(12,938)	(796,097)
<b>Summarised statements of cash flows information</b>				
<b>Financial year ended 31 December 2017, restated</b>				
Cash flows used in operating activities	(706,869)	(69,352)	-	(776,221)
Cash flows used in investing activities	-	(1,050,072)	-	(1,050,072)
Cash flows from financing activities	677,350	-	-	677,350
Net increase in cash and cash equivalents	(29,519)	(1,119,424)	-	(1,148,943)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 9. OTHER INVESTMENTS

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	RM	RM	RM	RM	RM	RM
<b>Non-current</b>						
<b>Fair value through profit or loss:</b>						
Quoted shares in Malaysia	32,059	32,339	36,124	-	-	-
Investment in bond fund/cash management fund	12,333,895	11,915,823	11,335,050	12,333,895	11,915,823	11,335,050
	<u>12,365,954</u>	<u>11,948,162</u>	<u>11,371,174</u>	<u>12,333,895</u>	<u>11,915,823</u>	<u>11,335,050</u>
<b>Current</b>						
<b>Fair value through profit or loss:</b>						
Cash management fund investments with investment management companies	79,656,889	90,215,633	36,063,095	77,892,550	88,403,268	36,063,095

- (a) The market value of the quoted shares as at 31 December 2018 is RM32,059/- (2017: RM32,339/-)
- (b) The investment rate for the Group's and the Company's bond fund/ cash management fund investments with investment management companies range from 3.04% to 4.18% (2017: 3.06% to 5.81%) per annum.

### Fair value information

The fair value measurements for the unquoted equity investments have been categorised as Level 3 fair value based on the inputs to the valuation techniques used.



## 10. GOODWILL ON CONSOLIDATION

	Group	
	2018 RM	2017 RM
<b>Cost</b>		
At 1 January	17,797,926	17,797,926
Accumulated impairment losses	(14,827,926)	(14,827,926)
Net carrying amount at 31 December	<u>2,970,000</u>	<u>2,970,000</u>

Goodwill arising from business combination has been allocated to cash-generating unit ("CGU") for impairment testing purpose. The carrying amount of goodwill has been allocated to the investment in Kertih-Paka Country & Golf Resorts Sdn. Bhd.

The following key assumptions on which the management had based its cash flow projections for the purposes of the impairment test of goodwill:

- (i) pre-tax cash flow projections covering a five (5) years period;
- (ii) realisable value of the property; and
- (iii) pre-tax discount rate of 10.83% was used in determining the recoverable amount of the CGU which was the Group's other borrowing rate.

### Sensitivity to changes in assumptions

There are no reasonable possible changes in key assumptions which could cause the carrying value of goodwill on consolidation to exceed its recoverable amount.

## 11. TRADE AND OTHER RECEIVABLES

	Group			Company		
	2018 RM	2017 RM (Restated)	1 January 2017 RM (Restated)	2018 RM	2017 RM (Restated)	1 January 2017 RM (Restated)
<b>Current:</b>						
<b>Trade</b>						
Trade receivables from contracts with customers	1,975,871	2,325,999	5,788,226	1,643,368	2,105,281	5,537,758
Less: Expected credit loss for trade receivables	(17,312)	(17,312)	(17,312)	-	-	-
	<u>1,958,559</u>	<u>2,308,687</u>	<u>5,770,914</u>	<u>1,643,368</u>	<u>2,105,281</u>	<u>5,537,758</u>
<b>Non-trade</b>						
Other receivables	655,025	294,078	249,479	214,939	17,000	1,091
Amount owing by subsidiaries	-	-	-	1,340,228	1,079,906	355,353
Deposits	2,300,784	2,442,702	2,444,601	1,007,327	1,014,173	961,091
Less: Expected credit loss for other receivables	-	-	-	(1,340,228)	(1,079,906)	(355,353)
	<u>2,955,809</u>	<u>2,736,780</u>	<u>2,694,080</u>	<u>1,222,266</u>	<u>1,031,173</u>	<u>962,182</u>
Total receivables	<u>4,914,368</u>	<u>5,045,467</u>	<u>8,464,994</u>	<u>2,865,634</u>	<u>3,136,454</u>	<u>6,499,940</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 11. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (i) Trade receivables

The Group's trade receivables normal trade credit terms range from 21 to 90 (2017: 21 to 90) days terms. They are recognised on their original invoice amount which represents their fair values on initial recognition.

### (ii) Other receivables

Included in the Group's other receivables is an amount of RM274,429/- (2017: nil) hold by solicitor for the payment to purchaser.

### (iii) Amount owing by subsidiaries

The amount owing by subsidiaries represents advances and payments made on behalf, which is unsecured, bearing interest at 4.75% (2017: 4.75%) per annum and repayable on demand. These balances are to be settled by cash.

## 12. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed deposits placed with licensed banks	-	29,093	-	-
Cash and bank balances	4,962,999	3,582,322	3,916,613	1,910,677
Cash and short-term deposits	4,962,999	3,611,415	3,916,613	1,910,677
Less: Cash held under Housing Development Account	(2,858,216)	(2,655,317)	(2,310,101)	(1,669,997)
Cash and cash equivalents	2,104,783	956,098	1,606,512	240,680

- (a) Cash held under Housing Development Account represents receipts from purchasers of residential properties less payments or withdrawals pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use in other operations.
- (b) The interest rate for the Group's and the Company's Housing Development Account range from 2.00% to 2.20% (2017: 2.00% to 2.28%) per annum.
- (c) The interest rate for the Group's and the Company's fixed deposits placed with licensed banks in previous financial year range from 2.80% to 4.00% per annum.
- (d) Bank balances of RM17,900/- (2017: RM34,800/-) of the Group and the Company have been pledged as security for banking facilities granted to the Group and the Company.

## 13. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amounts	
	2018 Units	2017 Units	2018 RM	2017 RM
<b>Issued and fully paid:</b>				
At 1 January	140,326,100	140,326,100	169,041,548	140,326,100
Transition to no-par value regime				
- share premium	-	-	-	28,715,448
Issued during the financial year				
- bonus issue	28,065,213	-	-	-
At 31 December	168,391,313	140,326,100	169,041,548	169,041,548

The holder of the ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM28,715,448/- become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM28,715,448/- for purposes as set out in Sections 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

During the financial year, the Company issued 28,065,213 new ordinary shares by way of bonus issue on the basis of one (1) new ordinary share for every five (5) existing ordinary shares held in the Company on 9 July 2018.

The new ordinary shares issued during the financial period rank pari-passu in all respects with the existing ordinary shares of the Company.

## 14. RESERVES

	Group			Company		
	2018 RM	2017 RM (Restated)	1 January 2017 RM (Restated)	2018 RM	2017 RM (Restated)	1 January 2017 RM (Restated)
<b>Non-distributable</b>						
Share premium	-	28,715,448	28,715,448	-	28,715,448	28,715,448
Transition to no-par value regime	-	(28,715,448)	-	-	(28,715,448)	-
	-	-	28,715,448	-	-	28,715,448
Retained profits/ (Accumulated losses)	2,147,909	2,835,222	(2,185,173)	10,704,198	10,197,172	6,375,998
Total	2,147,909	2,835,222	26,530,275	10,704,198	10,197,172	35,091,446

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 15. FINANCE LEASE LIABILITIES

	Group	
	2018 RM	2017 RM
Minimum lease payments		
Not later than one year	84,375	173,232
Later than one year but not later than five years	-	241,221
	<hr/> 84,375	<hr/> 414,453
Less: Future finance charges	(1,537)	(25,266)
	<hr/> 82,838	<hr/> 389,187
Present value of minimum lease payments		
Represented by:		
<b>Current</b>		
Not later than one year	82,838	158,614
<b>Non-current</b>		
Later than one year but not later than five years	-	230,573
	<hr/> 82,838	<hr/> 389,187

The effective interest rates is 4.73% (2017: 4.73%) per annum. Interest rates are fixed at the inception of the finance lease arrangements.

The finance lease liabilities are effectively secured on the rights of the assets under finance lease arrangements as disclosed in Note 5.

## 16. DEFERRED TAX LIABILITIES

	Group and Company	
	2018 RM	2017 RM
At 1 January	44,917	134,507
Recognised in profit or loss (Note 24)	(8,608)	(89,590)
At 31 December	<hr/> 36,309	<hr/> 44,917

## 16. DEFERRED TAX LIABILITIES (CONTINUED)

The deferred tax liabilities on temporary differences recognised in the financial statements are as follows:

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Tax effects of		
- excess of capital allowances claimed over accumulated depreciation on property, plant and equipment	36,309	36,195
- other temporary differences	-	8,722
At 31 December	<u>36,309</u>	<u>44,917</u>

## 17. TRADE AND OTHER PAYABLES

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Trade</b>				
Trade payables	3,665,283	1,735,550	3,310,438	1,440,206
<b>Non-trade</b>				
Other payables	634,878	762,061	135,950	237,136
Deposits received	116,150	156,310	82,050	115,210
Accruals	1,285,432	1,689,663	1,004,685	1,241,772
Amount owing to directors	25,684	21,051	-	-
	<u>2,062,144</u>	<u>2,629,085</u>	<u>1,222,685</u>	<u>1,594,118</u>
	<u>5,727,427</u>	<u>4,364,635</u>	<u>4,533,123</u>	<u>3,034,324</u>

(a) Trade payables are normally settled on 30 to 90 (2017: 30 to 90) days terms.

Included in trade payables of the Group and the Company is an amount of RM1,798,352/- (2017: RM1,243,599/-) and RM1,798,352/- (2017: RM1,243,599/-) respectively which represents retention sum payable.

(b) The amount owing to directors represents advances and payments made on behalf, which are unsecured, interest free, repayable on demand and to be settled by cash.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 18. PROVISIONS

	Compensation RM	Liquidated and Ascertained Damages RM	Property Development Expenditure RM	Directors' Retirement Benefits RM	Total RM
<b>Group</b>					
<b>Current</b>					
At 1 January 2017	594,994	1,483,846	4,163,364	1,732,930	7,975,134
Addition during the financial year	-	-	1,437,684	50,000	1,487,684
Reversal/utilisation during the financial year	-	(645,210)	(1,105,534)	-	(1,750,744)
At 31 December 2017	594,994	838,636	4,495,514	1,782,930	7,712,074
Addition during the financial year	-	-	59,666	50,000	109,666
Reversal/utilisation during the financial year	-	(838,636)	(1,486,313)	-	(2,324,949)
At 31 December 2018	594,994	-	3,068,867	1,832,930	5,496,791

	Property Development Expenditure RM	Directors' Retirement Benefits RM
<b>Company</b>		
<b>Current</b>		
At 1 January 2017	1,510,163	1,732,930
Addition during the financial year	1,437,684	50,000
Reversal/utilisation during the financial year	(1,105,534)	-
At 31 December 2017	1,842,313	1,782,930
Addition during the financial year	59,666	50,000
Reversal/utilisation during the financial year	(1,486,313)	-
At 31 December 2018	415,666	1,832,930

### (i) Compensation

Provision for compensations are recognised for claims in relation to the legal suit with purchasers.

### (ii) Liquidated and Ascertained Damages

Provision for liquidated and ascertained damages ("LAD") is in respect of a project undertaken by the Group. LAD is recognised for expected LAD claims based on the contract agreements.

### (iii) Property Development Expenditure

Provision for property development expenditure is made in respect of probable outflow of resources related to land and development activities of the Group and of the Company.

### (iv) Directors' Retirement Benefits

Provision for directors' retirement benefits is based on existing contractual obligations with the director which is equivalent to two months salary of the director for every year of service. The entitlement is based on the last drawn salary prior to retirement.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 19. CONTRACT LIABILITIES

	Group and Company		
	2018 RM	2017 RM	1 January 2017 RM
Contract liabilities relating to property development contracts	165,350	-	-
Total contract liabilities	165,350	-	-

### (i) Significant changes in contract balances

	Group and Company		
	2018 RM	2017 RM	1 January 2017 RM
	contract liabilities (Increase)/ decrease	contract liabilities (Increase)/ decrease	contract liabilities (Increase)/ decrease
Contract liabilities			
Increases due to cash received, excluding amounts recognised as revenue during the period	(165,350)	-	-
	(165,350)	-	-

## 20. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Revenue from contract customers:				
Property development	907,625	26,537,942	907,625	26,537,942
Revenue from sales of completed development property/vacant lands	8,654,300	-	7,159,300	-
Sales of goods	529,699	16,524	-	-
Commissions	40,935	-	-	-
	10,132,559	26,554,466	8,066,925	26,537,942

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 20. REVENUE (CONTINUED)

### (a) Disaggregation of revenue

The Group reports the following major segments: property development and trading in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure for disaggregation of revenue, it disaggregates revenue into major goods or services and timing of revenue recognition.

	Property RM	Trading RM	Investment and Others RM	Total RM
<b>Group</b>				
<b>2018</b>				
<b>Major goods and services:</b>				
Commercial	7,159,300	-	-	7,159,300
Residential units	2,402,625	-	-	2,402,625
Trading of building material	-	529,699	-	529,699
Others	-	-	40,935	40,935
	<u>9,561,925</u>	<u>529,699</u>	<u>40,935</u>	<u>10,132,559</u>
<b>Timing of revenue recognition:</b>				
At a point in time	8,654,300	529,699	40,935	9,224,934
Over time	907,625	-	-	907,625
	<u>9,561,925</u>	<u>529,699</u>	<u>40,935</u>	<u>10,132,559</u>
<b>2017</b>				
<b>Major goods and services:</b>				
Commercial	26,537,942	-	-	26,537,942
Trading of building material	-	16,524	-	16,524
	<u>26,537,942</u>	<u>16,524</u>	<u>-</u>	<u>26,554,466</u>
<b>Timing of revenue recognition:</b>				
At a point in time	-	16,524	-	16,524
Over time	26,537,942	-	-	26,537,942
	<u>26,537,942</u>	<u>16,524</u>	<u>-</u>	<u>26,554,466</u>



## 20. REVENUE (CONTINUED)

### (a) Disaggregation of revenue (Continued)

	Property RM	Total RM
<b>Company 2018</b>		
<b>Major goods and services:</b>		
Commercial	7,159,300	7,159,300
Residential units	907,625	907,625
	<u>8,066,925</u>	<u>8,066,925</u>
<b>Timing of revenue recognition:</b>		
At a point in time	7,159,300	7,159,300
Over time	907,625	907,625
	<u>8,066,925</u>	<u>8,066,925</u>
<b>Company 2017</b>		
<b>Major goods and services:</b>		
Commercial	26,537,942	26,537,942
	<u>26,537,942</u>	<u>26,537,942</u>
<b>Timing of revenue recognition:</b>		
Over time	26,537,942	26,537,942
	<u>26,537,942</u>	<u>26,537,942</u>

### (b) Transaction price allocated to the remaining performance obligations

As of 31 December 2018, the aggregate amount of the transaction price allocated to the remaining performance obligation is RM1,599,775/- and the entity will recognise this revenue as the building is completed, which is expected to occur over the next 12–18 months.

In accordance with the transitional provisions in paragraph D34 of MFRS 1, the Group and the Company has applied the practical expedient in paragraph C5(d) of MFRS 15 and, for all reporting periods presented before the beginning of the first MFRS reporting period, do not disclose the amount of the transaction price allocated to the remaining performance obligations.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 21. COST OF SALES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cost of property development	2,027,290	8,527,342	1,095,618	8,527,342
Cost of goods sold	501,107	14,165	-	-
	<u>2,528,397</u>	<u>8,541,507</u>	<u>1,095,618</u>	<u>8,527,342</u>

## 22. FINANCE INCOME / (EXPENSE)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest income from:				
- short-term deposits	59,386	1,935,026	40,422	1,861,169
- subsidiaries	-	-	60,812	108,195
- others	433	-	-	-
	<u>59,819</u>	<u>1,935,026</u>	<u>101,234</u>	<u>1,969,364</u>
Interest expense on:				
- finance lease liabilities	(10,816)	(22,182)	-	-
- others	(27,110)	-	-	-
	<u>(37,926)</u>	<u>(22,182)</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 23. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
		(Restated)		(Restated)
After charging:				
Auditors' remuneration:				
- statutory audit				
- current year	180,000	181,900	92,000	92,000
- (over) /under accrual in prior year	(1,800)	11,300	-	10,000
- non-statutory audit	10,000	20,000	10,000	20,000
Depreciation of:				
- investment properties	152,140	152,142	120,028	120,029
- property, plant and equipment	706,194	708,790	352,041	290,617
Directors' remuneration:				
- fees	136,800	136,800	136,800	136,800
- other emoluments	1,253,750	1,548,500	1,168,750	656,500
- Employees' Provident Fund	92,337	142,001	82,137	52,961
- SOCSO	1,268	1,657	923	-
Impairment loss on amount				
owing by subsidiaries	-	-	260,321	724,553
Impairment loss on investment				
in subsidiaries	-	-	1,491,826	4,801,306
Loss on disposal of property, plant				
and equipment	39,111	-	-	-
Direct operating expenses:				
- income generating investment properties	153,519	162,623	142,570	143,766
Property, plant and equipment written off	6,811	2	-	-
Provision for directors' retirement benefits	50,000	50,000	50,000	50,000
Deposit written off	41,515	-	-	-
Staff costs:				
- Employees' Provident Fund	533,385	563,759	361,748	354,699
- SOCSO	51,567	48,635	31,237	26,540
- salaries, bonuses and allowances	5,053,402	5,392,803	3,418,601	3,473,451
- retirement benefit	-	200,730	-	189,600
- other staff related expenses	86,391	90,660	59,920	55,597

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 23. PROFIT BEFORE TAXATION (CONTINUED)

Profit before taxation has been arrived at: (Continued)

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
		(Restated)		(Restated)
And crediting:				
Dividend income	347	246	-	-
Fair value gain on financial assets	417,791	576,988	418,071	580,773
Gain on disposal of property, plant and equipment	-	18,866	-	18,866
Income from cash management fund	2,992,834	2,686,597	2,940,868	2,674,488
Rental income	576,515	521,400	448,695	381,150
Reversal of provision for liquidated and ascertained damages	-	297,205	-	-

Directors' remuneration of the Group and of the Company excludes estimated monetary value of benefits in kind of RM83,379/- (2017: RM79,950/-) and RM45,400/- (2017: RM28,000/-) respectively.

## 24. INCOME TAX EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Income tax				
- current year	(36,489)	(3,248,358)	-	(3,200,000)
- prior year	12,944	20,815	3,726	21,048
	(23,545)	(3,227,543)	3,726	(3,178,952)
Deferred taxation (Note 16)				
- current year	8,608	92,530	8,608	92,530
- prior year	-	(2,940)	-	(2,940)
	8,608	89,590	8,608	89,590
	(14,937)	(3,137,953)	12,334	(3,089,362)

## 24. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the average effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM (Restated)
(Loss)/profit before taxation	(729,522)	10,791,011	494,692	9,717,058
Tax at applicable statutory tax rate of 24%	175,085	(2,589,843)	(118,726)	(2,332,094)
Tax effects arising from				
- non-taxable income	812,926	802,594	806,146	798,526
- non-deductible expenses	(390,965)	(420,545)	(666,812)	(1,561,902)
- origination of deferred tax assets not recognised	(624,927)	(948,034)	(12,000)	(12,000)
- over provision in prior year	12,944	17,875	3,726	18,108
Tax expense for the financial year	(14,937)	(3,137,953)	12,334	(3,089,362)

Income tax is calculated at the statutory rate of 24% of the estimated taxable profit for the financial year.

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised capital allowance	(648,152)	(616,398)	-	-
Deductible temporary differences	(1,594,519)	(1,449,967)	(1,832,930)	(1,782,930)
Unutilised tax losses	(42,122,668)	(39,695,112)	-	-
	(44,365,339)	(41,761,477)	(1,832,930)	(1,782,930)
Potential unrecognised deferred tax assets at 24%	(10,647,681)	(10,022,754)	(439,903)	(427,903)

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. (LOSS)/EARNINGS PER SHARE

### (a) Basic (Loss)/Earnings Per Ordinary Share

Basic (loss)/earnings per share is calculated by dividing net (loss)/profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2018 RM	2017 RM (Restated)
(Loss)/profit attributable to owners of the Company	(687,313)	7,826,917
Number of ordinary shares in issue	168,391,313	168,391,313
Weighted average number of ordinary shares in issue	168,391,313	168,391,313
Basic (loss)/earnings per share - per weighted average number of share (sen)	(0.41)	4.65

### (b) Diluted (Loss)/Earnings Per Share

Diluted (loss)/earnings per share is equivalent to the basic (loss)/earnings per share as there were no potential dilutive ordinary shares.

## 26. SIGNIFICANT RELATED PARTY DISCLOSURES

### (a) Identity of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control significant influence. Related parties may be individuals or other entities.

Related party of the Group include:

- (i) Directors;
- (ii) Subsidiaries;
- (iii) Ultimate holding company;
- (iv) Person connected to director;
- (v) Key management personnel which comprise persons (including the directors of the Company) have authority and responsibility for planning, directing, controlling the activities of the Group directly or indirectly.

## 26. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

### (b) Significant Related Party Transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest income received/receivable from subsidiaries				
- Bandar Subang Sdn. Bhd.	-	-	-	-
- Farlim (Perak) Sdn. Bhd.	-	-	-	(65,184)
- LJ Harta Sdn. Bhd.	-	-	(60,206)	(42,650)
- Ria Bahagia Sdn. Bhd.	-	-	(606)	(361)
Rental income received/receivable from subsidiaries				
- Farlim Marketing Sdn. Bhd.	-	-	(3,000)	(3,000)
Accounting fee received/receivable from a subsidiary				
- Farlim Jaya Sdn. Bhd.	-	-	(9,000)	(8,950)
Investment of Redeemable Preference Share in subsidiaries				
- Bandar Subang Sdn. Bhd.	-	-	2,407,831	5,395,000
- Farlim (Perak) Sdn. Bhd.	-	-	50,000	20,474,780
Key management personnel expenses				
- short term employee benefits	2,368,111	3,128,919	2,129,757	2,007,455
- post-employment benefits:				
- defined contribution plan	184,990	258,249	155,986	140,028
- provision for directors' retirement benefits <sup>(3)</sup>	50,000	50,000	50,000	50,000

Included in the total key management personnel expenses are:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors' fees <sup>(1)</sup>	136,800	136,800	136,800	136,800
Directors' salaries, bonuses and allowances <sup>(2)</sup>	1,253,750	1,548,500	1,168,750	656,500

<sup>(1)</sup> Paid/Payable to Andrew Koay Say Loke, Khairilnuar Bin Abdul Rahman and Adlina Hasni Binti Zainol Abidin.

<sup>(2)</sup> Paid/payable to Tan Sri Dato' Seri Lim Gait Tong, Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther, Lim Chu Dick and, Eng Kim Leng.

<sup>(3)</sup> Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 27. SEGMENTAL INFORMATION

#### Measurement of reportable segments

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly tax recoverable, tax payable and deferred tax liabilities.

#### Business segments

The Group's operating businesses are classified according to the nature of activities as follows:

Property	:	Comprise mainly property related activities.
Trading	:	Comprise mainly trading of building materials.
Investment and others	:	Comprise mainly investment holding and other inactive companies.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 27. SEGMENTAL INFORMATION (CONTINUED)

### Primary Reporting – Business Segments

	Property RM	Trading RM	Investment and Others RM	Eliminations and adjustments RM	Consolidated RM
<b>2018</b>					
<b>Revenue</b>					
Sales to external customers	9,561,925	529,699	40,935	-	10,132,559
Inter-segment sales	-	-	-	-	-
Total revenue	9,561,925	529,699	40,935	-	10,132,559
<b>Cost of Sales</b>					
Cost of sales to external customers	2,027,290	501,107	-	-	2,528,397
Inter-segment cost of sales	-	-	-	-	-
Total cost of sales	2,027,290	501,107	-	-	2,528,397
<b>Results</b>					
Segment results	(4,712,647)	(67,738)	(4,634)	-	(4,785,019)
Other income	618,079	4,900	3,410,625	-	4,033,604
Finance income (net)	22,370	-	(477)	-	21,893
(Loss)/profit before taxation	(4,072,198)	(62,838)	3,405,514	-	(729,522)
Taxation	(25,987)	11,050	-	-	(14,937)
(Loss)/profit for the financial year	(4,098,185)	(51,788)	3,405,514	-	(744,459)
<b>Other Information</b>					
Segment assets	92,026,945	551,486	92,004,685	4,295	184,587,411
Segment liabilities	11,360,874	90,034	21,498	105,753	11,578,159
Capital expenditure	51,624	-	-	-	51,624
Depreciation and amortisation	852,909	5,425	-	-	858,334
Other significant non-cash items:					
Fair value gain on financial assets	-	-	(417,791)	-	(417,791)
Property, plant and equipment written off	6,811	-	-	-	6,811
Provision for directors' retirement benefits	50,000	-	-	-	50,000

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 27. SEGMENTAL INFORMATION (CONTINUED)

Primary Reporting – Business Segments (Continued)

	Property RM	Trading RM	Investment and Others RM	Eliminations and adjustments RM	Consolidated RM
<b>2017</b>					
<b>Revenue</b>					
Sales to external customers	26,537,942	16,524	-	-	26,554,466
Inter-segment sales	-	-	-	-	-
Total revenue	26,537,942	16,524	-	-	26,554,466
<b>Cost of Sales</b>					
Cost of sales to external customers	8,527,342	14,165	-	-	8,541,507
Inter-segment cost of sales	-	-	-	-	-
Total cost of sales	8,527,342	14,165	-	-	8,541,507
<b>Results</b>					
Segment results	4,569,065	(102,184)	(4,347)	-	4,462,534
Other income	1,128,702	35,455	3,251,476	-	4,415,633
Finance income (net)	1,877,236	35,608	-	-	1,912,844
Profit/(loss) before taxation	7,575,003	(31,121)	3,247,129	-	10,791,011
Taxation	(3,126,750)	(11,203)	-	-	(3,137,953)
Profit/(loss) for the financial year	4,448,253	(42,324)	3,247,129	-	7,653,058
<b>Other Information</b>					
Segment assets	83,337,902	340,862	102,144,864	513,111 A	186,336,739
Segment liabilities	12,417,548	26,850	21,498	117,132 B	12,583,028
Capital expenditure	418,446	-	-	-	418,446
Depreciation and amortisation	854,958	5,974	-	-	860,932
Other significant non-cash items:					
Fair value gain on financial assets	-	-	(576,988)	-	(576,988)
Property, plant and equipment written off	2	-	-	-	2
Provision for directors' retirement benefits	50,000	-	-	-	50,000
Reversal of provision for liquidated and ascertained damages	(297,205)	-	-	-	(297,205)

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

## 27. SEGMENTAL INFORMATION (CONTINUED)

### Primary Reporting – Business Segments (Continued)

- A The following item is added into segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2018 RM	2017 RM
Tax recoverable	4,295	513,111

- B The following item is added into segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2018 RM	2017 RM
Tax payables	69,444	72,215
Deferred tax liabilities	36,309	44,917
	105,753	117,132

## 28. SUBSIDIARIES

The Group's equity interest in each of the subsidiaries, country of incorporation and their respective principal activities are as follows:

Name of the Company	Principal Place of Business/ Country of Incorporation	Effective Equity Interest		Principal Activities
		2018 %	2017 %	
Direct Subsidiaries				
Bandar Subang Sdn. Bhd.	Malaysia	100	100	Property development and investment holding
Kanchil Jaya Sdn. Bhd.	Malaysia	100	100	Property development and investment holding
Farlim Jaya Sdn. Bhd.	Malaysia	100	100	Property development
Farlim (Perak) Sdn. Bhd.	Malaysia	100	100	Property development and building construction
Farlim Marketing Sdn. Bhd.	Malaysia	51	51	Trading in building materials
Farlim Maju Sdn. Bhd.	Malaysia	70	70	Dormant
Baka Suci Sdn. Bhd.	Malaysia	80	80	Dormant
Victory Ace Sdn. Bhd.	Malaysia	82	82	Not commenced business operation
Ria Bahagia Sdn. Bhd.	Malaysia	100	100	Not commenced business operation

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. SUBSIDIARIES (CONTINUED)

The Group's equity interest in each of the subsidiaries, country of incorporation and their respective principal activities are as follows (Continued):

Name of the Company	Principal Place of Business/ Country of Incorporation	Effective Equity Interest		Principal Activities
		2018 %	2017 %	
Indirect Subsidiaries				
Kertih-Paka Country & Golf Resorts Sdn. Bhd.*	Malaysia	100	100	Not commenced business operation
Angkatan Wawasan Sdn. Bhd.*	Malaysia	100	100	Investment holding
Saga Realty & Development Sdn. Bhd.^	Malaysia	100	100	Property development
LJ Harta Sdn. Bhd.**	Malaysia	80	80	Property development
Kaplands Sdn. Bhd.**	Malaysia	100	100	Property development

\* Held indirectly through Bandar Subang Sdn. Bhd.

\*\* Held indirectly through Kanchil Jaya Sdn. Bhd.

^ Held indirectly through Angkatan Wawasan Sdn. Bhd.

## 29. FINANCIAL INSTRUMENTS

### (a) Classification of Financial Instruments

The table below analyses the financial instruments in the statements of the financial position by the classes of the financial instruments to which they are assigned:

- (i) Financial assets at fair value through profit or loss ("FVPL");
- (ii) Amortised cost

	Carrying Amount RM	Amortised cost RM	FVPL RM
<b>2018</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	92,022,843	-	92,022,843
Trade and other receivables	4,914,368	4,914,368	-
Cash and short-term deposits	4,962,999	4,962,999	-
	<u>101,900,210</u>	<u>9,877,367</u>	<u>92,022,843</u>
<b>Company</b>			
Other investments	90,226,445	-	90,226,445
Trade and other receivables	2,865,634	2,865,634	-
Cash and short-term deposits	3,916,613	3,916,613	-
	<u>97,008,692</u>	<u>6,782,247</u>	<u>90,226,445</u>

## 29. FINANCIAL INSTRUMENTS

### (a) Classification of Financial Instruments (Continued)

	Carrying Amount RM	Amortised cost RM	FVPL RM
<b>2018</b>			
<b>Financial liabilities</b>			
<b>Group</b>			
Finance lease liabilities	82,838	82,838	-
Trade and other payables	5,727,427	5,727,427	-
	<u>5,810,265</u>	<u>5,810,265</u>	<u>-</u>
<b>Company</b>			
Trade and other payables	4,533,123	4,533,123	-
	<u>4,533,123</u>	<u>4,533,123</u>	<u>-</u>
<b>2017</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	102,163,795	-	102,163,795
Trade and other receivables	5,045,467	5,045,467	-
Cash and short-term deposits	3,611,415	3,611,415	-
	<u>110,820,677</u>	<u>8,656,882</u>	<u>102,163,795</u>
<b>Company</b>			
Other investments	100,319,091	-	100,319,091
Trade and other receivables	3,136,454	3,136,454	-
Cash and short-term deposits	1,910,677	1,910,677	-
	<u>105,366,222</u>	<u>5,047,131</u>	<u>100,319,091</u>
<b>Financial liabilities</b>			
<b>Group</b>			
Finance lease liabilities	389,187	389,187	-
Trade and other payables	4,364,635	4,364,635	-
	<u>4,753,822</u>	<u>4,753,822</u>	<u>-</u>
<b>Company</b>			
Trade and other payables	3,034,324	3,034,324	-
	<u>3,034,324</u>	<u>3,034,324</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial Risk Management

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

#### (i) Credit Risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

#### Trade receivables and contract assets

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the statement of financial position.

The carrying amount of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group and the Company apply the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (i) Credit Risk (Continued)

##### Trade receivables and contract assets (Continued)

The following table provides information about the exposure of credit risk and impairment losses for trade receivables as at 31 December 2018 and 31 December 2017 which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM	Group Expected credit losses RM	Net Balance RM	Gross carrying amount RM	Company Expected credit losses RM	Net Balance RM
<b>2018</b>						
<b>Trade receivables</b>						
Current (not past due)	1,843,357	-	1,843,357	1,643,368	-	1,643,368
1-30 days past due	-	-	-	-	-	-
31-60 days past due	-	-	-	-	-	-
61-90 days past due	-	-	-	-	-	-
	<u>1,843,357</u>	<u>-</u>	<u>1,843,357</u>	<u>1,643,368</u>	<u>-</u>	<u>1,643,368</u>
<b>Credit impaired</b>						
More than 90 days past due	115,202	-	115,202	-	-	-
Individually impaired	17,312	17,312	-	-	-	-
	<u>1,975,871</u>	<u>17,312</u>	<u>1,958,559</u>	<u>1,643,368</u>	<u>-</u>	<u>1,643,368</u>
<b>2017</b>						
<b>Trade receivables</b>						
Current (not past due)	2,193,485	-	2,193,485	2,105,281	-	2,105,281
1-30 days past due	-	-	-	-	-	-
31-60 days past due	-	-	-	-	-	-
61-90 days past due	-	-	-	-	-	-
	<u>2,193,485</u>	<u>-</u>	<u>2,193,485</u>	<u>2,105,281</u>	<u>-</u>	<u>2,105,281</u>
<b>Credit impaired</b>						
More than 90 days past due	115,202	-	115,202	-	-	-
Individually impaired	17,312	17,312	-	-	-	-
	<u>2,325,999</u>	<u>17,312</u>	<u>2,308,687</u>	<u>2,105,281</u>	<u>-</u>	<u>2,105,281</u>

Included in trade receivables of RM115,202 that are past due but not impaired consist mainly amount owing by purchasers where the Group still retain the legal titles until the full contracted sales value is settled.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (i) Credit Risk (Continued)

##### Trade receivables and contract assets (Continued)

The movement of of the allowance for impairment loss on trade receivables is as follows:

Group	Trade receivables		
	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
At 1 January/31 December 2018	-	17,312	17,312
At 1 January/31 December 2017	-	17,312	17,312

##### Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower



## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (i) Credit Risk (Continued)

##### Other receivables and other financial assets (Continued)

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

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

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.11(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

The movement of of the allowance for impairment loss on other receivables is as follows:

Company	Other receivables		
	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
At 1 January 2018	-	1,079,906	1,079,906
Charge for the year	-	260,322	260,322
At 31 December 2018		1,340,228	1,340,228
At 1 January 2017	-	355,353	355,353
Charge for the year	-	724,553	724,553
At 31 January 2017	-	1,079,906	1,079,906

#### (ii) Liquidity Risk

Liquidity risk is the risk that the Group or the Company will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (ii) Liquidity Risk (Continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying amount RM	Contractual cash flow RM	On demand or within one year RM	One to five years RM
<b>2018</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	5,727,427	5,727,427	5,727,427	-
Finance lease liabilities	82,838	84,375	84,375	-
Total undiscounted financial liabilities	5,810,265	5,811,802	5,811,802	-
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	4,533,123	4,533,123	4,533,123	-
Total undiscounted financial liabilities	4,533,123	4,533,123	4,533,123	-
<b>2017</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	4,364,635	4,364,635	4,364,635	-
Finance lease liabilities	389,187	414,453	173,232	241,221
Total undiscounted financial liabilities	4,753,822	4,779,088	4,537,867	241,221
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	3,034,324	3,034,324	3,034,324	-
Total undiscounted financial liabilities	3,034,324	3,034,324	3,034,324	-

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

There have been no transfers between Level 1 and Level 2 during the financial year (31.12.2017: no transfer in either directions; 1.1.2017: no transfer in either directions).

The following tables provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

	Carrying Amount RM	Fair value of financial instruments carried at fair value		
		Level 1 RM	Level 2 RM	Level 3 RM
<b>Group</b>				
<b>2018</b>				
<b>Financial assets</b>				
- Quoted shares	32,059	32,059	-	-
- Investment in bond fund/cash management fund	91,990,784	91,990,784	-	-
<b>2017</b>				
<b>Financial assets</b>				
- Quoted shares	32,339	32,339	-	-
- Investment in bond fund/cash management fund	102,131,456	102,131,456	-	-
<b>Company</b>				
<b>2018</b>				
<b>Financial assets</b>				
- Investment in bond fund/cash management fund	90,226,445	90,226,445	-	-
<b>2017</b>				
<b>Financial assets</b>				
- Investment in bond fund/cash management fund	100,319,091	100,319,091	-	-

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2018 and 31 December 2017 were as follows:

	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Total liabilities	11,578,159	12,583,028
Equity attributable to owners of Company	171,189,457	171,876,770
Debt-to-equity ratio (%)	6.76%	7.32%

There were no changes in the Group's approach to capital management during the financial year.

## 31. DIVIDEND

	<b>Group and Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Single- tier final dividend of 2 sen per ordinary shares in respect of financial year ended 31 December 2016	-	2,806,522
	-	2,806,522

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2018.

# STATEMENT BY DIRECTORS

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

We, **TAN SRI DATO' SERI LIM GAIT TONG** and **DATUK SERI HAJI MOHAMED IQBAL BIN KUPPA PITCHAI RAWTHER**, being two of the directors of Farlim Group (Malaysia) Bhd., do hereby state that in the opinion of the directors, the financial statements set out on pages 80 to 162 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the results and cash flows of the Group and of the Company for the financial year then ended.

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

**TAN SRI DATO' SERI LIM GAIT TONG**  
Director

**DATUK SERI HAJI MOHAMED IQBAL BIN KUPPA PITCHAI RAWTHER**  
Director

Kuala Lumpur

Date: 28 March 2019

# STATUTORY DECLARATION

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

I, **TAN SRI DATO' SERI LIM GAIT TONG**, being the director primarily responsible for the financial management of Farlim Group (Malaysia) Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 80 to 162 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.

**TAN SRI DATO' SERI LIM GAIT TONG**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 28 March 2019.

Before me,

W661  
Tan Kim Chooi  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD.

(INCORPORATED IN MALAYSIA)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Farlim Group (Malaysia) Bhd., which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 80 to 162.

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

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the By-Laws (on *Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (CONT'D) (INCORPORATED IN MALAYSIA)

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit for 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.

---

### Goodwill (Note 4(c) and 10 to the financial statements)

---

The Group has goodwill arising from the acquisition of a subsidiary of RM2,970,000/- as at 31 December 2018. The goodwill is tested for impairment annually. We focused on this area because the impairment assessment of the goodwill requires the application of significant judgements in the recoverable amount and assumptions supporting the underlying cash flow projections.

#### Our response:

Our audit procedures focused on evaluating the cash flow projections and the Group's forecasting procedures which included, among others:

- assessing the recoverable amount of the cash generating unit;
- testing the mathematical accuracy of the impairment assessment; and
- preparing a sensitivity analysis around the key assumptions that are expected to be most sensitive to the recoverable amount

---

### Provision for liabilities (Note 4(b) and 18 to the financial statements)

---

The appropriateness and adequacy of provisions made by the Group in respect of compensation and property development expenditure which are subject to inherent uncertainty. We focused on this area because there is significant judgement involved in the assumptions used to estimate the provisions.

#### Our response:

Our audit procedures included, among others:

- testing the mathematical accuracy of the underlying calculations and the input data such as the expected average amount of settlements and the expected number of settlements;
- reading the legal opinion obtained by management; and
- assessing the assumptions used and the reasonableness of the provision based on the documents provided.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (CONT'D)

(INCORPORATED IN MALAYSIA)

## Key Audit Matters (Continued)

### Revenue and expenses recognition for property development business (Note 4(a), 20 and 21 to the financial statements)

The amount of revenue and corresponding costs of the Group's property development activities is recognised over the period of contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by reference to proportion of construction costs incurred for works performed to date bear to the estimated total costs for each project (input method). We focused on this area because significant directors' judgement is required, in particular with regards to determining the progress towards satisfaction of a performance obligation, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. The estimated total revenue and costs are affected by a variety of uncertainties that depend of the outcome of future events.

#### Our response:

Our audit procedures on a sample of major projects included, among others:

- reading the terms and conditions of agreements with customers to determine that revenue recognition is consistent with the requirements of *MFRS 15 Revenue from Contracts with Customers*;
- understanding the Group's process in preparing project budget and the calculation of the progress towards complete satisfaction of performance obligation;
- assessing the reasonableness of computed progress towards complete satisfaction of performance obligation for identified projects against architect or consultant certificate; and
- checking the mathematical computation of recognised revenue and corresponding costs for the projects during the financial year.

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (CONT'D)**

(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, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

## **Responsibilities of the Directors for the Financial Statements**

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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and 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.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (CONT'D)

(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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (CONT'D) (INCORPORATED IN MALAYSIA)

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

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

## Other Matters

1. As stated in Note 2 to the financial statements, Farlim Group (Malaysia) Bhd. adopted the Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year ended 31 December 2018 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2018 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2017 do not contain misstatements that materially affect the financial position as at 31 December 2018 and the financial performance and cash flows for the financial year then ended.
2. 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.

Baker Tilly Monteiro Heng PLT  
LLP0019411-LCA & AF 0117  
Chartered Accountants

Ong Teng Yan  
No. 03076/07/2019 J  
Chartered Accountant

Kuala Lumpur

Date: 28 March 2019

# STATISTICS OF SHAREHOLDINGS

AS AT 26 MARCH 2019

## Share Capital

Issued and Fully Paid-up : RM168,391,313.00

### 1. SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	No. of Shares	Direct	No. of Shares	Indirect
		%		%
Farlim Holding Sdn. Bhd.	72,685,480	43.16	—	—

### 2. DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interest of Directors in shares in the Company, holding company and subsidiary companies are as follows:-

	Ordinary Shares	
	Number	%
The Company		
<b>Farlim Group (Malaysia) Bhd.</b>		
Tan Sri Dato' Seri Lim Gait Tong	12,000	0.01
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	12,000	0.01
Koay Say Loke Andrew	2,400	0.001
The Holding Company		
<b>Farlim Holding Sdn. Bhd.</b>		
Tan Sri Dato' Seri Lim Gait Tong	45,773	68.83
Lim Chu Dick	2,303	3.46
The Subsidiaries		
<b>Baka Suci Sdn. Bhd.</b>		
Tan Sri Dato' Seri Lim Gait Tong	10,002	20.004
<b>Victory Ace Sdn. Bhd.</b>		
Tan Sri Dato' Seri Lim Gait Tong	2	0.02
<b>Farlim Marketing Sdn. Bhd.</b>		
Lim Chu Dick	76,250	15.25

Tan Sri Dato' Seri Lim Gait Tong and Mr Lim Chu Dick are, by virtue of their interests in a corporate shareholder, deemed interested in 15,355 (23.09%) shares in the holding company, Farlim Holding Sdn. Bhd.

By virtue of their interest in shares in the holding company as substantial shareholder, Tan Sri Dato' Seri Lim Gait Tong and Mr Lim Chu Dick are also deemed interested in shares in the Company to the extent the holding company has an interest.

Other than as disclosed above, none of the Directors in office had any interest in shares in the Company and its related corporations.

### 3. NUMBER AND CLASS OF SHAREHOLDERS

Class of Shares	No. of Shareholders	Voting Rights
Ordinary Shares	4,806	One vote for each Ordinary Share

# STATISTICS OF SHAREHOLDINGS (CONT'D)

AS AT 26 MARCH 2019

## 4. DISTRIBUTION SCHEDULE OF ORDINARY SHARES

Size of Holdings	Shareholders		Holdings	
	Number	%	Number	%
Less than 100	16	0.33	455	0.00
100 to 1,000	84	1.75	25,216	0.01
1,001 to 10,000	3,700	76.99	10,713,418	6.36
10,001 to 100,000	918	19.10	23,897,263	14.19
100,001 to 8,419,564	87	1.81	61,069,481	36.27
8,419,564 and above	1	0.02	72,685,480	43.16
Total	4,806	100	168,391,313	100

## 5. THIRTY LARGEST ACCOUNT HOLDERS OF ORDINARY SHARES

No.	Names of Shareholders	Shareholdings	
		Number	%
1.	Farlim Holding Sdn. Bhd.	72,685,480	43.16
2.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Abdul Fareed Bin Abdul Gafoor</i>	5,560,980	3.30
3.	PM Nominees (Asing) Sdn. Bhd. <i>VMS Securities Limited for Prime Treasure Limited</i>	5,400,000	3.21
4.	Lim Su Tong @ Lim Chee Tong	4,800,000	2.85
5.	Cantum Apex Sdn. Bhd.	4,341,600	2.58
6.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ooi Phaik Sim (8124136)</i>	3,368,800	2.00
7.	HLB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ong King Seng</i>	2,809,160	1.67
8.	JF Apex Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Witpro Sdn. Bhd. (STA 2)</i>	2,625,000	1.56
9.	Kenanga Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ooi Phaik Sim</i>	2,287,320	1.36
10.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Abdul Fareed Bin Abdul Gafoor (6000136)</i>	2,012,498	1.20
11.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ooi Phaik Sim</i>	1,906,320	1.13
12.	Teh Eng Hin	1,688,163	1.00
13.	Kenanga Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Mak Pooi Teng</i>	1,470,640	0.87
14.	Reson Sdn. Bhd.	1,317,600	0.78
15.	Melissa Lim Mei Ling	1,215,840	0.72

# STATISTICS OF SHAREHOLDINGS (CONT'D)

AS AT 26 MARCH 2019

## 5. THIRTY LARGEST ACCOUNT HOLDERS OF ORDINARY SHARES (Cont'd)

No.	Names of Shareholders	Shareholdings	
		Number	%
16.	RHB Capital Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Su Ming Yaw</i>	1,200,000	0.71
17.	HLB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Choo Lai Ee</i>	1,050,000	0.62
18.	CIMB Group Nominees (Asing) Sdn. Bhd. <i>Exempt AN for DBS Bank Ltd (SFS)</i>	990,120	0.59
19.	Radiance Perfect Intl. Sdn. Bhd.	984,000	0.58
20.	Lee Jooi Seng	766,800	0.46
21.	Lee Hong Choon & Sons Sdn. Bhd.	696,120	0.41
22.	Wong Chian Yong	583,200	0.35
23.	Toh Su-N	561,100	0.33
24.	Lee Sau Kwang	549,600	0.33
25.	Yeoh Min Chee	510,600	0.30
26.	Lim Jack Sek	496,000	0.29
27.	HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt AN for Credit Suisse (SG BR-TST-Asing)</i>	479,900	0.28
28.	CIMSEC Nominees (Tempatan) Sdn. Bhd. <i>CIMB Bank for Ling Yoke Tek (M52071)</i>	445,160	0.26
29.	RPG Beauty Sdn. Bhd.	393,600	0.23
30.	Ta Kin Yan	380,400	0.23

# LIST OF PROPERTIES

AS AT 31 DECEMBER 2018

Location	Tenure	Description of Property & Existing Use	Date Of Acquisition/ Last Revaluation (Year)	Expiry Date (Year)	Land Area (Acres/Sf)	Net Book Value As At 31-12-18 (RM)
<b>Penang</b>						
No 1 & 3 Lintang Angsana, Bandar Baru Ayer Itam, Penang	Leasehold	3/S Shophouse (Office Building) Age of building: 28 years	1991	2082	9,183 sf	483,429
Level 4 of commercial complex known as Komplek Farlim at Lot 7745 held under Grant No: 58916, Mukim 13, North East District, Penang	Leasehold	Hawker Center (Komplek Farlim) Age of building: 16 years	2009	2106	20,665 sf	1,633,139
No 5 Lintang Angsana, Bandar Baru Ayer Itam, Penang	Leasehold	3/S Shophouse (Office Building) Age of building: 28 years	2012	2082	1,549 sf	772,933
<b>Selangor</b>						
No. 101, 103, 108, 109, 111, 113, 115, 119, 120 & 121, Kompleks Kelab, Pangsapuri Ridzuan, Petaling Jaya, Selangor Darul Ehsan	Leasehold	Arcades Age of Building 18 years	2016	2093	11,909 sf	3,482,267
No 2, 4, & 6 Jalan PJS 10/32, Taman Sri Subang Petaling Jaya, Selangor Darul Ehsan	Leasehold	3/S Shopoffice (Office Building) Age of building: 26 years	1993	2088	5,288 sf	367,021
Mukim Kajang, Daerah Ulu Langat, Selangor Darul Ehsan	Freehold	Vacant Land (Future Development)	2006	–	6.36 acres	2,658,599



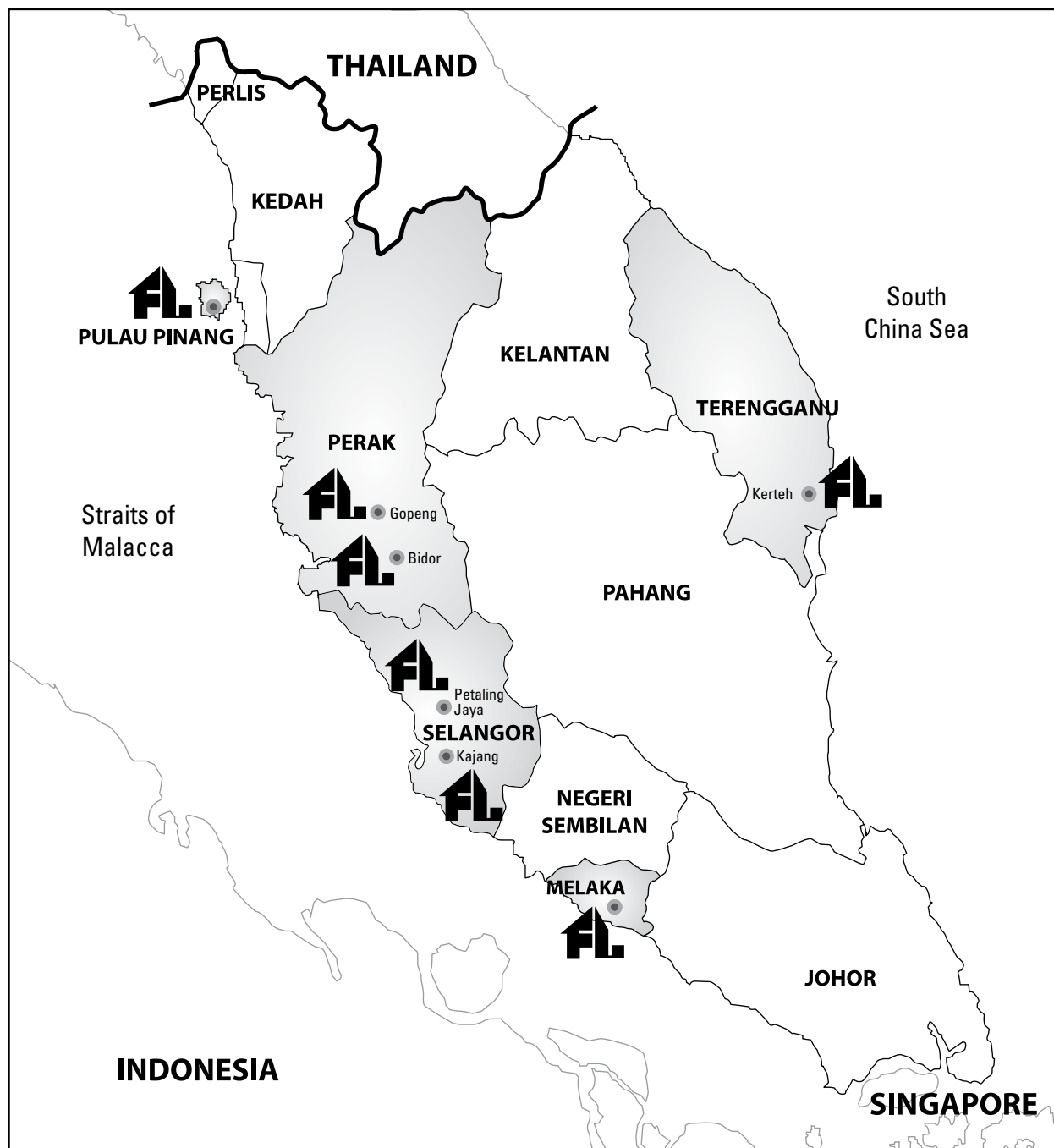
# LIST OF PROPERTIES (CONT'D)

AS AT 31 DECEMBER 2018

Location	Tenure	Description of Property & Existing Use	Date Of Acquisition/ Last Revaluation (Year)	Expiry Date (Year)	Land Area (Acres/Sf)	Net Book Value As At 31-12-18 (RM)
<b>Perak</b>						
Lot 10632 Mukim Bidor, Daerah Batang Padang, Perak Darul Ridzuan	Leasehold	Ongoing and Future development	2014	2113	92.31 acres	18,911,198
Lot PT 5544-6478, HS(D) 6578-7512, Mukim Teja, Daerah Kampar, Perak Darul Ridzuan	Leasehold	Vacant Land (Future development)	2017	2116	96.8 acres	13,000,000
<b>Terengganu</b>						
Mukim of Kerteh Kemaman, Terengganu	Freehold	Vacant Land (Future development)	1994	—	208 acres	1,604,301
<b>Melaka</b>						
GM452-3,625 & 524 Lot 4030-1, 4203 & 4102, Mukim Kelamak, Alor Gajah, Melaka	Freehold	Vacant Land (Future development)	1997	—	0.70 acres	325,530
					<u>405.27 acres</u>	<u>43,238,417</u>

## LOCATION MAP

AS AT 31 DECEMBER 2018



This is the Proposed Share Buy-Back Statement referred to in Item 6 set out in the Notice of the Thirty-Seventh Annual General Meeting

**THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad did not peruse this Statement prior to its issuance as it is an exempt document pursuant to Practice Note 18 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

Shareholders should rely on their own evaluation to assess the merits and risks of the proposal as set out herein.



**FARLIM GROUP (MALAYSIA) BHD. (82275-A)**

**STATEMENT ACCOMPANYING NOTICE OF THE THIRTY-SEVENTH ANNUAL GENERAL MEETING (SHARE BUY-BACK STATEMENT) PURSUANT TO PARAGRAPH 12.06 OF MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO ORDINARY RESOLUTION 6 PROPOSED UNDER ITEM 6 OF THE AGENDA**

The above proposal will be tabled as an Ordinary Resolution under special business at the Thirty-Seventh Annual General Meeting of the Company ("37th AGM") to be held at Holiday Villa, Ivory 10, No. 9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 26 June 2019 at 10.00 a.m. The Notice of the 37th AGM, Proxy Form and this Statement are set out in the Annual Report 2018 of the Company being despatched to the shareholders.

A member entitled to attend and vote at the 37th AGM is entitled to appoint up to two (2) proxies to attend and vote on his/her behalf. If you intend to appoint a proxy to attend and vote at the 37th AGM on your behalf, the Proxy Form must be completed and deposited at the Registered Office of the Company at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia not later than forty-eight (48) hours before the time fixed for holding the 37th AGM or any adjournment thereof. The depositing of the Proxy Form will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last day, date and time for depositing the Proxy Form: Monday, 24 June 2019 at 10:00 a.m.

Day, date and time of the 37th AGM: Wednesday, 26 June 2019 at 10:00 a.m.

This Statement is dated 26 April 2019

## DEFINITIONS

Except where the context otherwise requires, the following terms and abbreviations (in alphabetical order) shall apply throughout this Statement (definition denoting singular also include the plural and vice versa, where applicable):

Act :	Companies Act 2016 as amended from time to time and any re-enactment thereof
AGM :	Annual General Meeting
Board :	Board of Directors of Farlim Group (Malaysia) Bhd.
Bursa	Bursa Malaysia Securities Berhad
Constitution :	The Constitution of the Company
Directors:	Directors of Farlim Group (Malaysia) Bhd. or its subsidiaries (as the case may be)
EPS :	Earnings per Share
"Farlim" or "the Company" :	Farlim Group (Malaysia) Bhd. (82275-A)
"Farlim Group" or "the Group" :	Farlim and its subsidiaries, collectively
FHSB :	Farlim Holding Sdn. Bhd. (205193-W)
FYE :	Financial year ended/ending, as the case may be
LPD :	Latest practicable date before printing the Statement
Listing Requirements :	Main Market Listing Requirements of Bursa including any amendments thereto that may be made from time to time
NA :	Net assets
Proposed Share Buy-Back :	Proposal for the Company to purchase its own shares of up to ten percent (10%) of its total number of issued shares
Record of Depositors :	A record provided by Bursa Malaysia Depository Sdn. Bhd. to the Company
Statement :	This Share Buy-Back Statement to shareholders dated 26 April 2019

References to "we", "us", "our" and "ourselves" are references to the Company and, where the context otherwise requires, to our subsidiaries. All references to "you" in this Statement are references to the shareholders of Farlim.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations unless otherwise specified.

Reference to any enactment in this Statement is reference to that enactment as for the time being amended or re-enacted.

Any reference to time of day in this Statement is a reference to Malaysian time unless otherwise stated.

Any discrepancy in the tables included in this Statement between the amounts listed, actual figures and the totals thereof are due to rounding.

[The rest of this page has been intentionally left blank]

## TABLE OF CONTENTS

### LETTER TO THE SHAREHOLDERS OF FARLIM IN RELATION TO THE PROPOSED SHARE BUY-BACK CONTAINS:-

NO.	DESCRIPTION	PAGE
1	INTRODUCTION	A3
2	RATIONALE OF THE PROPOSED SHARE BUY-BACK	A3
3	DETAILS OF THE PROPOSED SHARE BUY-BACK	A4-A6
4	ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK	A6
5	EFFECTS OF THE PROPOSED SHARE BUY-BACK	A6-A8
6	APPROVALS REQUIRED	A8
7	INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM	A8
8	BOARD OF DIRECTORS' RECOMMENDATION	A8
9	FURTHER INFORMATION	A8

## APPENDIX

APPENDIX I	FURTHER INFORMATION	A9
------------	---------------------	----

[The rest of this page has been intentionally left blank]



## **FARLIM GROUP (MALAYSIA) BHD. (82275-A)**

### **Registered Office:**

No. 2-8, Bangunan Farlim  
Jalan PJS 10/32  
Taman Sri Subang  
46150 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

26 April 2019

### **Board of Directors**

Tan Sri Dato' Seri Lim Gait Tong (Chairman & Chief Executive)  
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther (Deputy Chairman)  
Lim Chu Dick (Executive Director)  
Koay Say Loke Andrew (Independent Non-Executive Director)  
Khairilnuar Bin Abdul Rahman (Independent Non-Executive Director)  
Adlina Hasni Binti Zainol Abidin (Independent Non-Executive Director)

### **To: The Shareholders of Farlim**

Dear Sir/Madam,

### **PROPOSED SHARE BUY-BACK**

<b>1.</b>	<b>INTRODUCTION</b>
	On 10 April 2019, the Board announced the Company's intention to seek the approval of the shareholders of Farlim for the Proposed Share Buy-Back at the forthcoming 37th AGM to be convened on 26 June 2019.
	<b>THE PURPOSE OF THIS STATEMENT IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED SHARE BUY-BACK, TOGETHER WITH THE RECOMMENDATION OF THE BOARD AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED SHARE BUY-BACK TO BE TABLED AT THE FORTHCOMING 37TH AGM. THE NOTICE OF THE FORTHCOMING 37TH AGM, THE FORM OF PROXY AND THIS STATEMENT ARE ENCLOSED IN THE COMPANY'S ANNUAL REPORT 2018 BEING DESPATCHED TO THE SHAREHOLDERS.</b>
	<b>SHAREHOLDERS OF FARLIM ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS STATEMENT TOGETHER WITH THE APPENDIXES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED SHARE BUY-BACK TO BE TABLED AT THE FORTHCOMING 37TH AGM.</b>
<b>2.</b>	<b>RATIONALE OF THE PROPOSED SHARE BUY-BACK</b>
	The reasons for the Proposed Share Buy-Back are as follows:- <ul style="list-style-type: none"><li>i. Allows the Company to take preventive measures against speculation to preserve the fundamental value of the Company which may in turn have a favourable impact on the share price of the Company. It is to be carried out when the share price is transacted at levels which do not reflect the potential earnings capabilities and/or underlying asset value of the Group;</li><li>ii. Should any treasury shares be distributed as share dividends and/or issued under an employees' share scheme, this would also serve to reward the shareholders of the Company and/or the eligible persons;</li><li>iii. Enable the Company to utilise its surplus financial resources, which is not immediately required for other uses, to purchase the Company's shares from the open market at market prices which the Board views as favourable; and</li><li>iv. If the Company's shares purchased are subsequently cancelled, long-term investors are expected to enjoy a corresponding increase in the value of their investments in the Company with the proportionate strengthening of the EPS and the NA per share of the Group may improve. (all things being equal)</li></ul>

3.	DETAILS OF THE PROPOSED SHARE BUY-BACK					
	<p>The Board proposes to seek the approval of the shareholders to purchase up to 10% of the total number of issued shares of the Company through stockbroker(s) to be appointed at a later date.</p> <p>The Proposed Share Buy-Back is subject to compliance with Sections 112, 113 and 127 of the Act, the Listing Requirements and the Prevailing Laws at the time of purchase.</p> <p>Pursuant to Paragraph 12.07(3) of the Listing Requirements, the authority from the shareholders for the Proposed Share Buy-Back would be effective immediately upon the passing of the ordinary resolution for the Proposed Share Buy-Back at the forthcoming AGM to be convened and shall continue to be in force until:-</p>					
	(i)	the conclusion of the next AGM of the Company following this AGM at which such resolution was passed at which time the said authority shall lapse unless by an ordinary resolution passed at that next AGM, the authority is renewed, either unconditionally or subject to conditions;				
	(ii)	the expiration of the period within which the next AGM of the Company is required by law to be held; or				
	(iii)	the authority is revoked or varied by ordinary resolution passed by the shareholders in a general meeting,				
	whichever occurs first, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date in accordance with the provisions of the guidelines issued by Bursa and/or any other relevant governmental and/or regulatory authorities (if any).					
	3.1	Maximum number or percentage of Farlim shares to be acquired				
		The maximum aggregate number of Farlim shares which may be purchased by the Company shall not exceed ten percent (10%) of its total number of issued shares at any point in time.				
	3.2	Maximum amount of funds to be allocated and amount of retained profits				
		<p>As at 31 December 2018, the issued share capital of the Company is RM169,041,548 comprising of 168,391,313 shares. Assuming no additional Farlim share are issued, a total of 16,839,131 shares, representing ten percent (10%) of the total number of issued shares, may be purchased by the Company pursuant to the Proposed Share Buy-Back.</p> <p>The actual number of shares to be purchased and timing of such purchases will depend on, amongst others, the market conditions and sentiments as well as the retained profits of the Company.</p> <p>Based on the latest audited financial statements of the Company for the financial year ended 31 December 2018, the accumulated retained profits of the Company is set out as below:-</p> <table><tr><td>Company Level</td><td>Audited as at 31 December 2018</td></tr><tr><td>Accumulated / Retained Profit</td><td>RM 10,704,198</td></tr></table> <p>The Company shall ensure that the maximum funds to be utilised for the Proposed Share Buy-Back shall not exceed the aggregate of the retained profits of the Company.</p>	Company Level	Audited as at 31 December 2018	Accumulated / Retained Profit	RM 10,704,198
Company Level	Audited as at 31 December 2018					
Accumulated / Retained Profit	RM 10,704,198					
	3.3	Source of funds				
		<p>The Company proposes to utilise internally generated funds of the Group to finance the Proposed Share Buy-Back. The amount of internally generated funds to be utilised will only be determined later at the time of purchase, depending on, amongst others, the availability of internally generated funds, the actual number of the Company's shares to be purchased and other relevant cost factors.</p> <p>The Proposed Share Buy-Back is not expected to have a material impact on the cash flow of the Company. In addition, the Board will ensure that the Company satisfies the solvency test before implementing the Proposed Share Buy-Back.</p>				

<b>3.4</b>	<b>Treatment of Purchased Shares</b>																																														
	Pursuant to Section 127(4) of the Act, where the Company has purchased the shares, the Board may, at their discretion, resolve:																																														
	(i)	To cancel the shares so purchased;																																													
	(ii)	To retain the shares so purchased in treasury, which is referred to as "treasury shares"; or																																													
	(iii)	To retain part of the shares so purchased as treasury shares and cancel the remainder of the shares.																																													
	Accordingly, based on Section 127(7) of the Act, where such shares are held as treasury shares, the Board may, at their discretion:																																														
	(i)	Distribute the shares as dividends to shareholders, such dividends to be known as "share dividends";																																													
	(ii)	Resell the shares, or any of the shares in accordance with the relevant rules of Bursa;																																													
	(iii)	Transfer the shares, or any of the shares for the purposes of or under an employees' share scheme;																																													
	(iv)	Transfer the shares, or any of the shares as purchase consideration;																																													
	(v)	Cancel the shares or any of the shares; or																																													
	(vi)	Sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe.																																													
<b>3.5</b>	<b>Previous purchases, resale and cancellation of treasury shares</b>																																														
	The Company had not previously sought any approval from shareholders for purchase of its own shares. As such, the Company does not currently hold any treasury shares and has not purchased, resold and/or cancelled any shares purchased during the last 12 months.																																														
<b>3.6</b>	<b>Historical prices of Farlim shares</b>																																														
	The highest and lowest market prices of shares traded on Bursa for the preceding twelve (12) months and the last transacted price on the LPD are as follows:-																																														
	<table border="1"> <thead> <tr> <th><b>Year 2019</b></th><th><b>High</b></th><th><b>Low</b></th></tr> </thead> <tbody> <tr> <td>March</td><td>0.400</td><td>0.350</td></tr> <tr> <td>February</td><td>0.375</td><td>0.355</td></tr> <tr> <td>January</td><td>0.380</td><td>0.350</td></tr> <tr> <td><b>Year 2018</b></td><td></td><td></td></tr> <tr> <td>December</td><td>0.380</td><td>0.340</td></tr> <tr> <td>November</td><td>0.385</td><td>0.340</td></tr> <tr> <td>October</td><td>0.380</td><td>0.350</td></tr> <tr> <td>September</td><td>0.380</td><td>0.355</td></tr> <tr> <td>August</td><td>0.375</td><td>0.345</td></tr> <tr> <td>July</td><td>0.480</td><td>0.360</td></tr> <tr> <td>June</td><td>0.485</td><td>0.425</td></tr> <tr> <td>May</td><td>0.475</td><td>0.440</td></tr> <tr> <td>April</td><td>0.475</td><td>0.450</td></tr> <tr> <td>March</td><td>0.500</td><td>0.455</td></tr> </tbody> </table>		<b>Year 2019</b>	<b>High</b>	<b>Low</b>	March	0.400	0.350	February	0.375	0.355	January	0.380	0.350	<b>Year 2018</b>			December	0.380	0.340	November	0.385	0.340	October	0.380	0.350	September	0.380	0.355	August	0.375	0.345	July	0.480	0.360	June	0.485	0.425	May	0.475	0.440	April	0.475	0.450	March	0.500	0.455
<b>Year 2019</b>	<b>High</b>	<b>Low</b>																																													
March	0.400	0.350																																													
February	0.375	0.355																																													
January	0.380	0.350																																													
<b>Year 2018</b>																																															
December	0.380	0.340																																													
November	0.385	0.340																																													
October	0.380	0.350																																													
September	0.380	0.355																																													
August	0.375	0.345																																													
July	0.480	0.360																																													
June	0.485	0.425																																													
May	0.475	0.440																																													
April	0.475	0.450																																													
March	0.500	0.455																																													



<b>3.7</b>	<b>Public shareholding spread of Farlim</b>								
	<p>The Proposed Share Buy-Back will be carried out in accordance with the prevailing laws at the time of the purchase including compliance with the 25% public shareholding spread requirements as set out in Paragraph 8.02(1) of the Listing Requirements.</p> <p>Based on the Record of Depositors of the Company as at the LPD, the public shareholding spread of the Company stood at 95,679,433 shares representing approximately 56.82%.</p> <p>The Board is mindful of the requirements that any purchase of Farlim shares by the Company must not result in the public shareholding spread of Farlim falling below 25% of the issued shares of Farlim.</p>								
<b>3.8</b>	<b>Implications relating to the Rules</b>								
	As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory offer under Paragraph 4.01 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions by any of the Company's substantial shareholder(s) and/or parties acting in concert with them, the number of Farlim shares purchased, retained as treasury shares, cancelled or distributed arising from the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its substantial shareholder(s) and/ or parties acting in concert with them.								
<b>4.</b>	<b>ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK</b>								
	<b>Potential advantages</b>								
(i)	Allows the Company to take preventive measures against speculation particularly when the Company's shares are undervalued which would in turn, stabilise the market price of the Company's shares and hence, enhance investors' confidence;								
(ii)	If the Company's shares purchased are retained as treasury shares, it may be used to be distributed as share dividends and/or issued under an employees' share scheme to reward the shareholders of the Company and/or the eligible persons;								
(iii)	The Company will have the flexibility in attaining the desired capital structure, in terms of debt and equity composition and size of equity; and								
(iv)	The resultant reduction of share capital base (in respect of the Company's shares purchased which are then cancelled) is expected to enhance the EPS and may improve the NA per share of the Group (all things being equal), hence making the Company's shares more attractive to investors.								
	<b>Potential disadvantages</b>								
(i)	The Proposed Share Buy-Back will reduce the financial resources of the Group and may result in the Group forgoing of better investment opportunities that may emerge in the future; and								
(ii)	The Proposed Share Buy-Back may result in the reduction of financial resources available for distribution of cash dividends to shareholders in the future as the Proposed Share Buy-Back can only be made out of the retained profits of the Company.								
<b>5.</b>	<b>EFFECTS OF THE PROPOSED SHARE BUY-BACK</b>								
	The pro-forma effects of the Proposed Share Buy-Back on the following:-								
<b>5.1</b>	<b>Issued share capital</b>								
	<table border="1"> <thead> <tr> <th></th><th>No of shares</th></tr> </thead> <tbody> <tr> <td>Issued shares as at 31 December 2018</td><td>168,391,313</td></tr> <tr> <td>Maximum number of Company shares that may be purchased and cancelled</td><td>(16,839,131)</td></tr> <tr> <td>Total number of issued shares after the proposed share buy-back</td><td>151,552,182</td></tr> </tbody> </table> <p><i>Note: Assuming all the shares purchased are cancelled</i></p>		No of shares	Issued shares as at 31 December 2018	168,391,313	Maximum number of Company shares that may be purchased and cancelled	(16,839,131)	Total number of issued shares after the proposed share buy-back	151,552,182
	No of shares								
Issued shares as at 31 December 2018	168,391,313								
Maximum number of Company shares that may be purchased and cancelled	(16,839,131)								
Total number of issued shares after the proposed share buy-back	151,552,182								

		<p>The effect of the Proposed Share Buy-Back on the issued share capital of the Company will depend on the intention of the Board with regards to the treatment of the shares purchased. If the shares purchased are cancelled, the issued share capital will be reduced by the number of shares so cancelled. However, if the shares purchased are retained as treasury shares, resold or distributed to shareholders, it will not have any effect on the issued share capital of the Company. Nevertheless, certain rights (such as voting rights) attached to the shares purchased will be suspended when the shares purchased are held as treasury shares.</p>																							
<b>5.2</b>	<b>NA, NA Per Share and Gearing</b>	<p>The effects of the Proposed Share Buy-Back on the NA of the Group will depend on the actual number of shares to be purchased, the purchase price of the shares, the effective funding cost to the Group to finance the share buy-back, if any, or any loss in interest income of the Company.</p> <p>The NA would decrease if the shares purchased are retained as treasury shares due to the requirement for treasury shares to be carried at cost and be offset against equity, resulting in a decrease in the NA by the cost of the treasury shares.</p> <p>If the shares purchased are resold on Bursa, the NA per share would increase if the Company realises a gain from the resale, and vice-versa. If the shares purchased are subsequently distributed as share dividends, there will be no effect on the NA per share of the Group.</p> <p>If the shares purchased are cancelled, the Proposed Share Buy-Back will reduce the NA per share if the purchase price per share exceeds the NA per share at the time of purchase, and vice-versa.</p> <p>The Company does not intend to fund the Proposed Share Buy-Back via external bank borrowings. Nevertheless, all else being equal, assuming that the treasury shares are being retained by the Company and no borrowings are being utilised to fund the purchase of the shares, the Proposed Share Buy-Back may increase the gearing of the Group as the equity will be reduced by the cost of the shares acquired.</p>																							
<b>5.3</b>	<b>Directors' and substantial/major shareholders' shareholding structure and interests</b>	<p>The number of shares held directly and indirectly by the Directors and substantial/major shareholders are set out below:-</p> <table> <tr> <th rowspan="2"></th><th colspan="2"><b>Shareholdings</b></th></tr> <tr> <th><b>Direct</b></th><th><b>Indirect</b></th></tr> <tr> <th></th><th><b>No. of Shares (%)</b></th><th><b>No. of Shares (%)</b></th></tr> <tr> <td>FHSB</td><td>72,685,480 (43.16)</td><td>–</td></tr> <tr> <td>Tan Sri Dato' Seri Lim Gait Tong</td><td>12,000 (0.007)</td><td>72,685,480 (43.16)</td></tr> <tr> <td>Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther</td><td>12,000 (0.007)</td><td>–</td></tr> <tr> <td>Lim Chu Dick</td><td>–</td><td>72,685,480 (43.16)</td></tr> <tr> <td>Koay Say Loke Andrew</td><td>2,400 (0.001)</td><td>–</td></tr> </table>		<b>Shareholdings</b>		<b>Direct</b>	<b>Indirect</b>		<b>No. of Shares (%)</b>	<b>No. of Shares (%)</b>	FHSB	72,685,480 (43.16)	–	Tan Sri Dato' Seri Lim Gait Tong	12,000 (0.007)	72,685,480 (43.16)	Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	12,000 (0.007)	–	Lim Chu Dick	–	72,685,480 (43.16)	Koay Say Loke Andrew	2,400 (0.001)	–
	<b>Shareholdings</b>																								
	<b>Direct</b>	<b>Indirect</b>																							
	<b>No. of Shares (%)</b>	<b>No. of Shares (%)</b>																							
FHSB	72,685,480 (43.16)	–																							
Tan Sri Dato' Seri Lim Gait Tong	12,000 (0.007)	72,685,480 (43.16)																							
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	12,000 (0.007)	–																							
Lim Chu Dick	–	72,685,480 (43.16)																							
Koay Say Loke Andrew	2,400 (0.001)	–																							
<b>5.4</b>	<b>Earnings and EPS</b>	<p>The effects of the Proposed Share Buy-Back on the earnings and EPS of the Group will depend on the number of shares purchased, the prices paid for such shares, the effective funding cost to finance the purchase of such shares, if any or any loss in interest income to the Group. Nevertheless, all things being equal, assuming that the treasury shares are retained, the Proposed Share Buy-Back is expected to increase the EPS of the Group as the treasury shares held will not be taken into account in calculating the total number of issued shares.</p> <p>If the shares purchased are cancelled, the number of shares applied in the computation of EPS will reduce and accordingly, all things being equal, the Proposed Share Buy-Back will increase the EPS of the Group.</p> <p>If the shares purchased are resold, the extent of the impact to the EPS of the Group will depend on the actual selling price, the number of treasury shares resold and the effective gain on resale and any funding cost arising from the Proposed Share Buy-Back.</p>																							

<b>5.5</b>	<b>Working capital</b>
	<p>The Proposed Share Buy-Back will reduce the working capital and cash flow of the Group, the quantum of which depends on, amongst others, the number of shares purchased, the purchase price of the shares and funding cost, if any.</p> <p>For shares purchased which are kept as treasury shares, upon its resale, the working capital and cash flow of the Group will increase assuming that a gain has been realised. The quantum of the increase in the working capital will depend on the actual selling price of the treasury shares and the number of treasury shares resold.</p>
<b>5.6</b>	<b>Dividends</b>
	<p>The Proposed Share Buy-Back is not expected to have any impact on the policy of the Board in recommending dividends, if any to the shareholders. Nonetheless, if the shares purchased are retained as treasury shares, the treasury shares may be distributed as dividends to the shareholders, if the Company so decides.</p> <p>If the shares purchased are cancelled, the Proposed Share Buy-Back will have the effect of increasing the dividend rate of the Company as a result of the reduction in the number of issued shares.</p>
<b>6.</b>	<b>APPROVALS REQUIRED</b>
	<p>The Proposed Share Buy-Back is subject to and conditional upon the shareholders' approval at the forthcoming AGM to be convened.</p> <p>The Proposed Share Buy-Back is not conditional upon any other proposals undertaken or to be undertaken by the Company.</p> <p>The voting on the resolution in relation to the Proposed Share Buy-Back at the AGM will be taken via poll.</p>
<b>7.</b>	<b>INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM</b>
	<p>Save for the possible increase in the percentage of shareholdings in Farlim in their capacities as shareholders of the Company pursuant to the Proposed Share Buy-Back, none of the Directors and/or major shareholders of Farlim and/or persons connected to them have any interests, whether direct or indirect, in the Proposed Share Buy-Back.</p>
<b>8.</b>	<b>BOARD OF DIRECTORS' RECOMMENDATION</b>
	<p>The Directors, having considered all aspects of the Proposed Share Buy-Back, including the rationale and the effects of the Proposed Share Buy-Back, are of the opinion that the Proposed Share Buy-Back is in the best interest of the Company and recommend that you vote in favour of the resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM to be convened.</p>
<b>9.</b>	<b>FURTHER INFORMATION</b>
	<p>Shareholders are advised to refer to the attached Appendix I for further information.</p>

Yours faithfully,  
For and on behalf of the Board  
**FARLIM GROUP (MALAYSIA) BHD.**

**Tan Sri Dato' Seri Lim Gait Tong**  
Chairman & Chief Executive

[The rest of this page has been intentionally left blank]

**FURTHER INFORMATION****1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Statement has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statement or other facts, the omission of which would make any statement herein misleading.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of the Company at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours (except public holidays) from the date of this Statement up to and including the date of the forthcoming AGM:-

- (i) The Memorandum and Articles of Association or Constitution of Farlim; and
- (ii) The audited consolidated financial statements of Farlim for the past two (2) FYE 31 December 2017 and 31 December 2018.

[The rest of this page has been intentionally left blank]

This is the proposed Constitution referred to in Item 8 set out in the Notice of the Thirty-Seventh Annual General Meeting.

**THE COMPANIES ACT 2016  
MALAYSIA**

---

**PUBLIC COMPANY LIMITED BY SHARES**

---

**CONSTITUTION**

**OF**

**FARLIM GROUP (MALAYSIA) BHD.  
(Company No. 82275-A)**

---

**Incorporated on the 12th day of March 1982**

---

**THE COMPANIES ACT 2016**

---

**PUBLIC COMPANY LIMITED BY SHARES**

---

**CONSTITUTION**

**OF**

**FARLIM GROUP (MALAYSIA) BHD.**

1. The name of the Company is FARLIM GROUP (MALAYSIA) BHD.
2. The registered office of the Company will be situated in Malaysia.
3. The Third Schedule of the Companies Act 2016 shall apply to the Company except in so far as the same is repeated or contained in this Constitution.

***Definitions and Interpretations***

4. In this Constitution:
  - (1) unless otherwise defined or as required by the context, the following words and expressions shall have the following meanings:

WORDS	MEANING
"Act"	The Companies Act 2016 and any statutory modification, amendment or re-enactment thereof from time to time.
"Authorised Nominee"	An authorised nominee as defined under the Central Depositories Act.
"Board"	Board of Directors for the time being of the Company.
"Central Depositories Act"	The Securities Industry (Central Depositories) Act 1991 or any statutory modification, amendment or re-enactment thereof from time to time.
"Central Depository"	Bursa Malaysia Depository Sdn. Bhd.
"Company"	Farlim Group (Malaysia) Bhd.
"Constitution"	This Constitution as originally framed or as altered, amended, or substituted from time to time.
"Deposited Security"	A Security standing to the credit of a Securities Account and includes a Security in a Securities Account that is in suspense.
"Depositor(s)"	A holder of a Securities Account.
"Director(s)"	The Director(s) for the time being of the Company.
"Exempt Authorised Nominee"	An authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.

"General Meeting Record of Depositors"	The Record of Depositors as at a date not less than three (3) Market Days before a general meeting and issued by the Central Depository to the Company.
"Listed"	Admitted to the Official List and "listing" shall be construed accordingly.
"Listing Requirements"	The Main Market Listing Requirements of the Stock Exchange or any modification or amendment thereof for the time being in force.
"Major Shareholder"	<p>A person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is –</p> <p>(a) 10% or more of the total number of voting shares in the corporation; or</p> <p>(b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation. For the purpose of this definition,</p> <p>"interest" shall have the meaning of "interest in shares" given in section 8 of the Act.</p>
"Market Day"	A day on which the stock market of the Stock Exchange is open for trading in Securities.
"member(s)"	Any person for the time being holding shares in the Company and whose name appears in the Register of Members (except the Malaysian Central Depository Nominees Sdn. Bhd.) including a Depositor whose name appears on the Record of Depositors.
"month"	Calendar month.
"Omnibus Account"	An exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account.
"Office"	The registered office for the time being of the Company.
"Official List"	A list specifying all securities which have been admitted for listing on the Main Market of the Stock Exchange.
"Record of Depositors"	A record provided by Central Depository to the Company under Chapter 24.0 of the Rules.
"Register of Members"	The Register of Members of the Company to be kept pursuant to the Act.
"Rules"	The Rules of the Central Depository or any modification, or amendment thereof from time to time in force.
"Seal"	The Common Seal of the Company.
"Secretary"	Any person or persons appointed to perform the duties of the secretary of the Company either temporarily or otherwise and includes an assistant or deputy secretary.

“Securities”	Securities as defined in Section 2 of the Securities Commission Act 1993 or any modification, amendment or re-enactment thereof for the time being in force.
“Securities Account”	An account established by the Central Depository for a Depositor for the recording of deposit of Securities and for dealings in such Securities by the Depositor, as defined in the Central Depositories Act and/ or the Rules.
“Securities Regulations”	The Securities Industry (Central Depositories) (Foreign Regulations Ownership) Regulations 1996 or any modification, amendment or re- enactment therefor for the time being in force.
“shares”	Shares in the Company.
“Stock Exchange”	Bursa Malaysia Securities Berhad.
“year”	A year from the 1st day of January to 31st December, inclusive.

- (2) Expressions referring to writing shall, unless the contrary intention appears, be construed as including references to printing, lithography, photography and other modes of representing or reproducing words in a visible form.
- (3) Words importing the singular shall include the plural and vice versa.
- (4) Words importing the masculine gender only shall include the feminine and neuter genders.
- (5) Words importing persons shall include corporations.
- (6) Any references, express or implied, to statutes or statutory provisions shall be construed as references to those statutes or provisions as respectively amended or re-enacted or as their application is modified by other provisions (whether before or after the date hereof) from time to time and shall include any statutes or provisions of which they are re-enactments (whether with or without modification) and any orders, regulations, instruments or other subordinate legislation under the relevant statute or statutory provision. References to sections of consolidating legislation shall, wherever necessary or appropriate in the context, be construed as including references to the sections of the previous legislation from which the consolidating legislation has been prepared.
- (7) Save as defined herein or where the context otherwise requires, words or expressions contained in this Constitution shall be interpreted in accordance with the provisions of the Interpretation Act 1948 and 1967 [Act 388], and of the Act as in force at the date at which this Constitution become binding on the Company.
- (8) Subject as aforesaid, any words or expressions defined in the Act shall, except where the subject or context forbids, bear the same meanings in this Constitution.
- (9) The side notes are inserted for convenience only and shall not affect the construction of this Constitution.

#### ***Liability of Members***

5. The liability of the members is limited.



### **Share Capital**

6. The share capital of the Company is its issued share capital. The share capital may be divided into several classes and there may be attached thereto respectively any preferred, deferred, qualified or other special rights privileges, conditions or restrictions whether in regard to dividend, return of capital, voting or otherwise.
  
7. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of share, and subject to the Act and to the conditions, restrictions and limitations expressed in this Constitution, the Directors may allot shares, grant options over shares, grant rights to subscribe for shares to any persons, at such time and on such terms and conditions, with such preferred or deferred or other special rights, as they think proper. Power to issue and allot shares
  
8. Subject to the Act, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are to be liable, to be redeemed on such terms and in such manner as shall be provided in this Constitution at the time such preference shares are issued. Issue of Preference Shares
  
9. Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Company shall issue, allot and despatch notices of allotment to the allottee and make an application for the quotation of such Securities within such period as may be prescribed under the Listing Requirements or by the Stock Exchange. Allotment and despatch of notices of allotment
  
10. The Company shall take all steps as are necessary to ensure that all new issues of Securities by the Company for which listing is sought are made by way of crediting the Securities Accounts of the allottees with such Securities save and except where the Company is specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event it shall so similarly be exempted from compliance with this Clause. For this purpose, the Company is authorised to notify the Central Depository of the names of the allottees and all particulars required by the Central Depository, to enable the Central Depository to make the appropriate entries in the Securities Accounts of such allottees. Crediting of Securities Accounts
  
11. The Company must not cause or authorise its share registrar to cause the Securities Account of the allottees to be credited with the additional Securities until after the Company has filed with the Stock Exchange any applications for listing of such additional Securities and been notified by the Stock Exchange that the additional Securities have been authorised for listing. No crediting of Securities Accounts until authorised to list
  
12. Subject to the Act, the Company shall not give any financial assistance, whether directly or indirectly, and whether by means of a loan, guarantee, or the provision of security or otherwise, for the purpose of or in connection with a purchase of subscription made or to be made by any person of or for any shares in the Company or its holding company, nor shall the Company give financial assistance directly or indirectly for the purpose of reducing or discharging the liability if a person who has acquired shares in the Company or its holding company and the liability has been incurred by any person for the purpose of the acquisition of the shares. No financial assistance
  
13. The Company may exercise the powers of paying commissions conferred by the Act provided that the rate per centum, or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, and the rate of the commission shall not exceed the rate of ten per centum (10%) of the price at which the shares in respect whereof the same is paid are issued or an amount equal to ten per centum (10%) of such price. Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful. Power of paying commission
  
14. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in the Act and may charge the same to capital as part of the cost of the construction of the works, buildings or the provision of the plant. Shares issued for purpose of raising money for the construction of works or buildings

15. Except as required by law, no person shall be recognised by the Company as holding any Securities upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Securities, or any interest in any fractional part of any Securities, or (except only as otherwise provided by this Constitution or as required by law) any other right in respect of any Securities, except an absolute right to the entirety thereof in the registered holder. Trust not to be recognised

### ***Variation of Rights***

16. If at any time the share capital of the Company by reason of the issue of preference shares or otherwise is divided into different classes of shares, the rights and privileges attached to any class may, subject to the provisions of the Act, only be varied, modified, commuted, dealt with, affected or abrogated with a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two (2) persons at least holding or represented by proxy one-third (1/3) of the issued shares of that class. Provided however that in the event of the necessary majority not having been obtained in the manner aforesaid, consent in writing, if obtained from the holders of three-fourths (3/4) of the issued shares of the class within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting. How special rights of shares may be varied

### ***Purchase of its Own Shares***

17. Subject to the provisions of the Act, the Listing Requirements and such other rules, regulations, orders, guidelines or requirements of the Stock Exchange and/or any other relevant authorities, the Company may purchase its own shares upon and subject to such terms and conditions as the Directors may, in their absolute discretion, deem fit. Any shares in the Company so purchased by the Company shall be dealt with in such manner as provided by the Act and such other relevant laws, rules, regulations, orders, guidelines or requirements of the Stock Exchange and/or any other relevant authorities. Purchase of own shares

### ***Lien on Shares***

18. Subject to the Act, the Central Depositories Act, the Rules and the Listing Requirements, the Company shall have a first and paramount lien on shares for all unpaid calls and instalments in respect of those specific shares on which such calls or instalments are for the time being due and unpaid and such lien shall extend to all dividends from time to time declared in respect of such shares. The Company shall also have a first and paramount lien on such shares for all moneys which the Company may be called upon by law to pay and has paid in respect of the shares of any member or deceased member. Company to have a paramount lien
19. The Company's lien on shares and dividends from time to time declared in respect of such shares, shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay and has paid in respect of the shares of the member or deceased member. Company's lien on shares and dividends
20. The Company may sell in such manner as the Directors think fit any shares on which the Company has a lien, but no sales shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen (14) days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy. Notice to pay amount due
21. To give effect to any such sale, the Directors may authorise a person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer and the Directors shall not be bound to see to the application of the purchase money nor shall the purchaser's title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale and the remedy of the former holder of such shares or of any person claiming under or through him in respect of any alleged irregularity or invalidity shall be against the Company in damages only. Transfer of forfeited shares

22. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists together with accrued interest and expenses as is presently payable and the residue (if any), shall (subject to a similar lien for sums not presently payable which exists over the shares before the sale) be paid to the member whose shares have been sold or his executors, administrators or assignees or as he directs. Application of proceeds of sale

### ***Calls on Shares***

23. (a) The Directors may, subject to the provisions of this Constitution, from time to time make such calls upon the members in respect of all moneys unpaid on their shares as they think fit, provided that at least fourteen (14) days' notice is given of each call, and each member shall be liable to pay the amount of every call so made upon him to the persons by the instalments (if any) and at the times and places appointed by the Directors. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed. Calls when payable
- (b) If by the terms of the issue of any shares or otherwise, any amount is made payable at any fixed time or by instalments at any fixed times, such amount or instalment shall be payable as if it were a call duly made by the Directors and of which due notice had been given; and all provisions hereof with respect to the payment of calls and interests thereon or to the forfeiture of shares for non-payment of calls shall apply to such amount or instalments and the shares in respect of which they are payable. Instalments similar to calls
- (c) At the trial or hearing of any action or other proceeding for the recovery of any money due for any call it shall be sufficient to prove that the name of the member sued is entered in the Register of Members or Record of Depositors as the holder of the shares in respect of which such call was made, that the resolution making such call is duly recorded in the minutes book of the Directors and that notice of such call was duly given to the member sued according to the provisions of this Constitution and it shall not be necessary to prove the appointment of the Directors who made such call nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of a debt due from the members sued to the Company. Evidence of action for call
24. If before or on the day appointed for payment thereof a call or instalment payable in respect of a share is not paid, the holder or allottee of the share shall pay interest on the amount of the call at such rate not exceeding eight per centum (8%) per annum as the Directors shall fix from the day appointed for payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. Interest on call
25. Any sum which by the terms of allotment of a share is made payable upon allotment or at any fixed date, shall, for all purposes of this Constitution be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment, subject to the Act, the provisions of this Constitution as to payment of interest and expenses, forfeiture and the like, and all other relevant provisions of this Constitution shall apply as if such sum were a call duly made and notified as hereby provided. Non-payment of calls
26. The Directors may from time to time make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls. Arrangements and time for payment of calls
27. The Directors may if they think fit, receive from any member willing to advance the same all or any part of the moneys due upon his shares beyond the sums actually called up thereon and upon the moneys so paid in advance or so much thereof as exceeds the amount for the time being called upon the shares in respect of which such advance has been made, the Company may pay or allow such interest at a rate not exceeding eight per centum (8%) per annum as may be agreed between them and such member in addition to the dividend payable upon such part of the share in respect of which such advance has been made as is actually called up. No such sum paid in advance of calls, whilst carrying interest, shall entitle the member paying such sum to any portion of a dividend declared in respect of any period prior to the date upon which such sum would, but for such payment, become presently payable nor confer a right to participate in profits. Advance of calls

***Information on Shareholding***

28. (1) The Company may by notice in writing but shall not be bound by this Constitution require any member within such reasonable time as is specified in the notice:- Company may give notice
- (a) to inform the Company whether he holds any voting shares in the Company as nominee or beneficial owner or as trustee; and
- (b) if he holds them as nominee or trustee, to indicate so far as he can, the persons for whom he holds them by name and by other particulars sufficient to enable those persons to be identified and the nature of their interest.
- (2) Where the Company is informed in pursuance of a notice given to any person under sub-clause (1) hereof or under this sub-clause that any other person has an interest in any of the voting shares in the Company, the Company may by notice in writing require that other person within such reasonable time as is specified in the notice:-
- (a) to inform it whether he holds that interest as beneficial owner or as trustee; and
- (b) if he holds it as trustee, to indicate so far as he can, the persons for whom he holds it by name and by other particulars sufficient to enable them to be identified and the nature of their interest.
- (3) The Company may by notice in writing require a member to inform it, within such reasonable time as is specified in the notice, whether any of the voting rights carried by any voting shares in the Company held by him are the subject of an agreement or arrangement under which another person is entitled to control his exercise of those rights and, if so, to give particulars of the agreement or arrangement and the parties to it. Member to inform Company

***Transfers of Securities***

29. The transfer of any Listed Securities or class of Listed Securities in the Company shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemptions that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Listed Securities. Transfer of Listed Securities to be by book entry
30. There shall be no restriction on the transfer of fully paid Securities except where required by law. No restriction on transfer
31. The Central Depository may refuse to register any transfer of Listed Securities if it does not comply with the Central Depositories Act or the Rules. Refusal to register transfer
32. The Register of Members and/or Record of Depositors may be closed at such times and for such period as the Directors may from time to time determine but so that it shall not be closed for more than thirty (30) days in the aggregate in any calendar year. Twelve (12) clear Market Days' notice of intention to close the Register of Members and/or Record of Depositors or such other period of notice as shall from time to time be fixed by the Stock Exchange shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Stock Exchange. The said notice shall state the books closing date and purpose or purposes for the books closing. In relation to the books closing, the Company shall give written notice to the Central Depository to issue the appropriate Record of Depositors in accordance with the Central Depositories Act and the Rules within such time as is required by the Central Depository to enable the Central Depository to issue the relevant Record of Depositors. Closing of register
33. There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any Securities, such fee as the Directors may from time to time require or prescribe. Fee relating to title to shares

### ***Transmission Of Securities***

34. In the case of the death of a holder of Deposited Securities in the Company, one (1) of the executors or administrators of the deceased shall subject to the executor's and administrator's compliance with all the requirements of the Rules and having been recorded in the Record of Depositors as the Depositor in lieu of the deceased holder, be the only person recognised by the Company as having any title to his interest in the Deposited Securities; but nothing herein contained shall release the estate of a deceased holder from any liability in respect of any Deposited Securities which had been held by him. Transmission
35. Any person becoming entitled to Deposited Securities in the Company in consequence of the death or bankruptcy of a holder of Deposited Securities may, upon such evidence being produced as may from time to time properly be required by the Central Depository and the Rules and subject as hereinafter provided and if permitted by the Rules, elect either to be registered himself as holder of the Deposited Securities or to have some person nominated by him registered as the transferee thereof, but the Central Depository shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Deposited Securities by the holder of the Deposited Securities before his death or bankruptcy. Subject to the Central Depositories Act and the Rules, a transfer of the Deposited Securities may be carried out by the person becoming so entitled. Death of Holder
36. If any person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company and the Central Depository a notice in writing signed by him and stating that he so elects. If he shall elect to have another person registered, he shall testify his election by executing to that other person a transfer of the Deposited Securities in such form as required by the Rules. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of Deposited Securities shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the holder of the Deposited Securities had not occurred and the notice or transfer were a transfer signed by that holder of the Deposited Securities. Election of person entitled to be registered himself
37. Where the holder of any Deposited Securities dies or becomes bankrupt, his personal representatives or the assignee of the estate, as the case may be, shall, subject to the said personal representative or assignee having been recorded in the Record of Depositors as the Depositor in lieu of the deceased or bankrupt holder, upon the production of such evidence as may from time to time be properly required by the Directors in that behalf, be entitled to the same dividends and other advantages and to the same rights (whether in relation to meetings of the Company or to voting or otherwise) as the holder would have been entitled to if he had not died or become bankrupt. Person entitled to receive and give discharge

### ***Transmission of Securities from Foreign Register***

38. (1) Where:- Foreign Register
- (a) the Securities of the Company are listed on another stock exchange; and
  - (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such Securities,
- the Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") and vice versa provided that there shall be no change in the ownership of such Securities.
- (2) For the avoidance of doubt, if the Company fulfils the requirements of sub-clauses (1) (a) and (b) above, the Company shall not allow any transmission of Securities from the Malaysian Register into the Foreign Register.

### ***Forfeiture of Shares***

39. If any member fails to pay the whole or any part of any call or instalment of a call on the day appointed for the payment thereof, the Directors may at any time thereafter, during such time as the call or instalment or any part thereof remains unpaid, serve a notice on him or on the person entitled to the share by transmission requiring him to pay such call or instalment, or such part thereof as shall then be unpaid together with interest thereon as the Directors shall determine and any expenses that may have accrued by reason of such non-payment. Notice to pay calls
40. The notice shall name a further day (not earlier than the expiration of seven (7) days from the date of the notice) on which such call or instalment, or such part as aforesaid, and all interest and expenses that have accrued by reason of such non-payment are to be paid. It shall also name the place where payment is to be made and shall state that in the event of non-payment at the time and at the place appointed, the share in respect of which such call was made will be liable to be forfeited. Length of Notice
41. Subject to the Act, the Central Depositories Act and the Rules, if the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter before the payment required by the notice has been made be forfeited by a resolution of the Directors to that effect. A forfeiture of shares shall include all dividends in respect of the shares not actually paid before the forfeiture notwithstanding that they shall have been declared. Failure to comply with Notice
42. When any share has been forfeited in accordance with this Constitution, notice of the forfeiture shall forthwith be given to the Central Depository and to the person who was the holder of the share, within fourteen (14) days of the forfeiture, and an entry of such notice having been given, and of the forfeiture with the date thereof shall forthwith be made in the Register of Members opposite to the share. Notice of forfeiture
43. Notwithstanding any such forfeiture as aforesaid, the Directors may at any time before the forfeited share has been otherwise disposed of, annul the forfeiture upon the terms of payment of all calls and interest due upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit. Annulment of forfeiture
44. Every share which shall be forfeited shall thereupon become the property of the Company, and may be either cancelled or sold or re-allotted or otherwise disposed of, either to the person who was before forfeiture the holder thereof or entitled thereto or to any other person, upon such terms and in such manner as the Directors shall think fit. If any shares are forfeited and sold, any residue after the satisfaction of the unpaid calls and accrued interest and expenses shall be paid to the person whose shares have been forfeited or his executors, administrators or assignees or as he directs. Sale of forfeited shares
45. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding the forfeiture, be liable to pay the Company all money which at the date of forfeiture was payable by him to the Company in respect of the shares together with interest or compensation at the rate of eight per centum (8%) per annum from the date of forfeiture on the money for the time being unpaid if the Directors think fit to enforce payment of the interest or compensation and his liability shall cease if and when the Company receives payment in full of all such money in respect of the shares. Liability to Company of persons whose shares are forfeited
46. The forfeiture of a share shall involve the extinction at the time of forfeiture of all interest in and claims and demands against the Company in respect of the share and all other rights and liabilities incidental to the share as between the shareholder whose share is forfeited and the Company except only such of those rights and liabilities as are by this Constitution expressly saved or as are by the Act given or imposed in the case of past members. Results of forfeiture

47. A statutory declaration in writing that the declarant is a Director of the Company and that a share had been duly forfeited in pursuance of this Constitution and stating the date upon which it was forfeited shall, as against all persons claiming to be entitled to the share adversely to the forfeiture thereof, be conclusive evidence of the facts therein stated. Such declaration, together with the receipt of the Company for the consideration (if any) given for the share on the sale or disposition thereof and a certificate of proprietorship of the share under the Seal delivered to the person to whom the same is sold or disposed of, shall constitute a good title to the share. Such person shall be registered as the holder of the share and shall be discharged from all calls made prior to such sale or disposition and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any act, omission or irregularity relating to or connected with the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the shares.
- Evidence of forfeiture by the Company

### ***Conversion of Shares into Stock***

48. The Directors may by ordinary resolution passed at a general meeting, convert any paid-up shares into stock or re-convert any stock into paid-up shares.
- Conversion of shares into stock and reconversion
49. The holders of stock may transfer the same, or any part thereof, in the same manner, and subject to the same regulations as, and subject to which, the shares from which the stock arose might previously to conversion have been transferred, or a near thereto as circumstances admit; but the Directors may from time to time fix the minimum amount of stock transferable, and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the amount of the shares from which the stock arose.
- Holders of stock may transfer their interests
50. The holders of stock shall according to the amount of the stock held by them have the same rights, privileges, and advantages as regards dividends, voting at meetings of the Company, and other matters as if they held the shares, from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company) shall be conferred by an amount of stock as would not, if existing in shares, have conferred that privilege or advantage
- Holders of stock have same rights

### ***Increase of Capital***

51. The Company in general meeting may from time to time by ordinary resolution, whether all the shares for the time being issued shall have been fully called up or not, increase its capital by the creation and issue of new shares, such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the Company by the resolution authorising such increase directs.
- Power to increase capital
52. (1) Subject to the Listing Requirements and any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible Securities proposed to be issued shall before issue be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or convertible Securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined and, after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or convertible Securities offered, the Directors may dispose of those shares or convertible Securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares or convertible Securities which (by reason of the ratio which the new shares or convertible Securities bear to shares or Securities held by the persons entitled to an offer of new shares or convertible Securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.
- Shares and convertible Securities to be offered to members before issue

- (2) Subject to the Listing Requirements and notwithstanding the existence of a resolution pursuant to the Act, the Company shall not issue any shares or convertible Securities if the total number of those shares or convertible Securities, when aggregated with the total number of any such shares or convertible Securities issued during the preceding twelve (12) months, exceed ten per centum (10%) of the total number of the issued and paid-up capital of the Company, except where the shares or convertible Securities are issued with the prior approval of the Company in general meeting of the precise terms and conditions of the issue. Provided that in working out the number of shares or convertible Securities that may be issued by the Company, if the Security is a convertible Security, each such Security is counted as the maximum number of shares into which it can be converted or exercised. Provided further that except in the case of an issue of Securities on a pro rata basis to members, no shares or other convertible Securities shall be issued to a Director, Major Shareholder or person connected with any Director or Major Shareholder unless the Company in general meeting has approved of the specific allotment to be made to such aforesaid person, such approval to be obtained in accordance with the Listing Requirements. Maximum Number of Shares to be Issued
53. Except so far as otherwise provided by the conditions of issue, any capital raised by the creation of new shares shall be considered as part of the original ordinary share capital of the Company and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital. Rights and liabilities attached to new shares

#### ***Alteration Of Capital***

54. The Company may by special resolution:-
- (a) Consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived. Power to consolidate shares
- (b) Cancel any shares which at the date of the passing of the resolution have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of shares so cancelled. Power to cancel shares
- (c) Sub-divide shares, or any of them, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one (1) or more of the shares may have any such preferred or other special rights over, or may have such deferred rights, or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares. Power to sub-divide shares
55. The Company may by special resolution reduce its share capital in any manner and with, and subject to, any incident authorised and consent required by law and/or confirmation by the Court. Power to reduce capital

#### ***Borrowing Powers***

56. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities. The Directors may from time to time at their discretion raise or borrow for the purposes of the Company such sums of money as they think proper. Borrowing powers of Directors



- |   |   |
|---|---|
| 57. The Directors may raise or secure the payment of such money in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of debentures or debenture stock of the Company, charged upon all or any part of the property of the Company (both present and future), including uncalled capital, or by means of charges, mortgages, bonds and dispositions in security or bonds or cash-credit, with or without power of sale, as the Directors shall think fit. | What security may be given                  |
| 58. The Directors shall not borrow any money or mortgage or charge any of the Company or the subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.  | No borrowing etc. for unrelated third party |
| 59. Debentures, debenture stock or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.  | Debenture may be assignable                 |
| 60. Any debentures, debenture stock, bonds or other securities may be issued at a discount, premium or otherwise, and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meeting of the Company, appointment of Directors and otherwise.   | Conditions of issue                         |
| 61. The Directors shall cause a proper register to be kept, in accordance with the provisions of the Act, of all mortgages and charges especially affecting the property of the Company.  | Register to be kept                         |
| 62. The sum payable for each inspection of the register of charges shall be as provided in the Act.   | Cost of inspection                          |

#### ***General Meetings***

- |   |   |
|---|---|
| 63. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and not more than fifteen (15) months shall elapse between the date of one annual general meeting and that of the next. | General meetings                            |
| 64. The above-mentioned general meetings shall be called annual general meetings. All other general meetings shall be called extraordinary general meetings.  | Annual and extraordinary general meetings   |
| 65. The Directors may whenever they think fit and shall on requisition in accordance with the Act convene an extraordinary general meeting.   | Convening of extraordinary general meetings |

#### ***Notice of General Meeting***

- |   |        |
|---|--------|
| 66. Subject to the Act, any annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution, shall be called by twenty-one (21) days' notice in writing at the least and any other general meeting by fourteen (14) days' notice in writing at the least (exclusive in either case of the day on which it is served or deemed to be served and of the day for which it is given) given in manner hereinafter mentioned to the auditors, the share registrar and to all members. Provided that the accidental omission to give notice to or the non-receipt of a notice by any person entitled thereto shall not invalidate the proceedings at any general meeting. At the same time as notices are given to the members, notice of every such meeting shall be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily press and in writing to the auditor, the share registrar, the Stock Exchange and each stock exchange upon which the Company is listed. | Notice |
|---|--------|

67. (a) Every notice calling a general meeting shall specify the place and the day and hour of the meeting and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him. Content of notice
- (b) In the case of an annual general meeting, the notice shall also specify the meeting as such.
- (c) In the case of any general meeting at which any special business (being business other than ordinary business) is to be transacted, the notice shall specify the general nature of such business and/or such other details if required in accordance with the Act and shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business and if any resolution is to be proposed as a special resolution, the notice shall state the intention to propose such resolution as a special resolution.
68. (a) The Company shall request the Central Depository in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company and to issue the General Meeting Record of Depositors. Subject to the Securities Regulations (where applicable), a Depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Record of Depositors
- (b) The Company shall inform the Central Depository of the dates of general meetings. Company to inform Central Depository of dates of general meetings

### ***Proceedings At General Meeting***

69. No business shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. For all purposes the quorum shall be two (2) members representing no less than one-tenth (1/10) of the issued shares of the Company present in person or by proxy or in the case of corporations which are members, present by their representatives appointed pursuant to the provisions of this Constitution who are entitled to vote. Quorum of general meeting
70. If within half ( $\frac{1}{2}$ ) an hour from the time appointed for the meeting, a quorum is not present, the meeting if convened on the requisition of members shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week at the same time and place, and if at such adjourned meeting a quorum is not present within thirty (30) minutes from the time appointed for holding the meeting, the members present shall be a quorum and may transact the business for which the meeting was called but no notice of any such adjournment as aforesaid shall be required to be given to the members. If quorum not present meeting dissolved or adjourned
71. The Chairman (if any) of the Board shall preside at every general meeting, but if there be no such Chairman, or if at any meeting he shall not be present within fifteen (15) minutes after the time appointed for holding the same or shall be unwilling to act as Chairman, the members present shall choose one (1) of the Directors, to be Chairman of the meeting or if no Director be present, or if all the Directors present decline to take the chair, they shall choose a member present to be Chairman of the meeting. Chairman of general meeting
72. The Chairman may, with the consent of any meeting at which a quorum is present and shall if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine, but no business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place. Whenever a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given in the same manner as in the case of an original meeting. Save as aforesaid, no member shall be entitled to any notice of an adjournment or of the business to be transacted at an adjourned meeting. Notice of adjournment to be given

73. Subject to any express requirement of the Listing Requirements, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands, unless before or upon the declaration of the result of the show of hands a poll be demanded by the Chairman or by at least three (3) members present in person or by proxy, by any member in person or by proxy of at least ten per centum (10%) of the issued share capital of the Company, or by a member holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than ten per centum (10%) of the total sum paid up on all the shares conferring that right and unless a poll be so demanded, a declaration by the Chairman of the meeting that a resolution has been carried or has been carried unanimously or by a particular majority or lost or not carried by a particular majority, shall be conclusive and an entry to that effect in the minutes book of the Company shall be conclusive evidence thereof without proof of the number or proportion of the votes recorded in favour of or against such resolution. How resolutions decided
74. If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting or at any adjournment thereof, and unless in the opinion of the Chairman of the meeting, it shall be of sufficient importance to vitiate the result of the voting. Votes counted in error
75. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive. Objections
76. If a poll be demanded in manner aforesaid, it shall be taken at such time and place and in such manner as the Chairman shall direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. Poll to be taken as Chairman shall direct
77. A demand for a poll may be withdrawn. Withdrawal of poll
78. No poll shall be demanded on the election of a Chairman of a meeting, or on any question of adjournment. No poll in certain cases
79. In the case of an equality of votes on a show of hands or on a poll, the Chairman of any meeting shall be entitled to a casting vote. Casting Vote
80. The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business, other than the question on which a poll has been demanded. Poll and continuance of meeting

### ***Votes Of Members***

81. Subject to this Constitution, a member shall be entitled to be present and to vote at any general meeting either personally or by proxy in respect of any share or shares upon which all calls due to the Company have been paid. On a show of hands, every member who is present in person or by proxy and entitled to vote be entitled to one (1) vote on any question at a general meeting. In case of a poll, every member holding shares who is present in person or by proxy shall have one (1) vote for every share held by him. Votes of members
82. If any member becomes lunatic or be found to be of unsound mind, he may vote by his committee or other legal curator, and such committee or other legal curator may give his or their votes either personally or by proxy. Vote of lunatic member
83. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company in Omnibus Account, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds. Appointment of multiple proxies

84. A member shall be entitled to be present and to vote on any question either personally or by proxy, or as proxy for another member at any general meeting, to be reckoned in a quorum in respect of any fully paid-up shares and of any shares upon which calls due and payable to the Company shall have been paid. No member shall be entitled to vote or be recognised in a quorum in respect of any shares upon which any call or other sum so due and payable shall be unpaid. The proxy need not be a member of the Company and if not a member, need not be a qualified legal practitioner, an approved Company auditor or a person approved by the share registrar. Right to appoint proxy
85. The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorised in writing or, if such appointer is a corporation under its common seal, or the hand of its attorney or duly authorised officer. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand a poll on behalf of the appointer. How instrument to be executed
86. The instrument appointing a proxy shall be left at the Office or such other place (if any) as is specified for that purpose in notice convening the meeting in accordance with the Act and the Listing Requirements, not less than forty-eight (48) hours for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking of the poll. Otherwise the person so named shall not be entitled to vote in respect thereof. Instrument to be left at Office
87. Any instrument appointing a proxy shall be in the following form or as near thereto as circumstances will admit or in such other form as the Directors may from time to time prescribe or approve or in particular cases accept: Form of proxy

#### FORM OF PROXY

##### FARLIM GROUP (MALAYSIA) BHD.(82275-A)

\*I/We ..... of .....  
being a member of FARLIM GROUP (MALAYSIA) BHD. ("the Company"), hereby  
appoint.....of..... or failing him, the  
Chairman of the Meeting as \*my/our proxy to attend and vote for \*me/us and on \*my/our  
behalf at the (\*Annual, or Extraordinary General) Meeting of the Company to be held on  
..... and at any adjournment thereof. Please indicate with an "X" in  
the appropriate box against the resolution how you wish your proxy to vote. If no instruction is  
given, this form will be taken to authorise the proxy to vote at his discretion.

	FOR	AGAINST
SPECIAL RESOLUTION		
ORDINARY RESOLUTION		

No. of shares held

.....  
Signature / Common Seal of member

Dated this            day of

\*Delete if not applicable

88. Every power, right or privilege herein given in this Constitution to any member of the Company to convene, attend, vote at and in any way take part in any meeting of the Company may be exercised in the event of such member being abroad by any attorney or attorneys duly appointed by such member provided that the power of attorney is produced at the registered office of the Company during business hours at least forty-eight (48) hours before the same is acted on. And any vote given or things done by such attorney or attorneys shall be valid notwithstanding the previous death of the member giving such power of attorney or the revocation of such power of attorney provided no intimation in writing of the death or revocation shall have been received at the registered office of the Company and before such vote is given or thing done. Every right exercisable by attorney

### ***Directors***

- |   |   |
|---|---|
| 89. Until otherwise determined by a general meeting but subject to the Act, the number of Directors shall not be less than two (2) and not more than fifteen (15).  | Number of Directors                                 |
| 90. The Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director, but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with this Constitution. Any Director so appointed shall hold office only until the next annual general meeting and shall then be eligible for re-election. But he shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. | Appointment of additional Directors                 |
| 91. It shall not be necessary for any Director to hold any shares in the capital of the Company in order to qualify to be a Director.   | Director need not be shareholder                    |
| 92. Subject as herein otherwise provided and to the terms of any subsisting agreement, the office of a Director shall be vacated:-<br><br>(a) if he ceases to be a Director by virtue of the Act;<br><br>(b) if he be convicted of any seizable offence;<br><br>(c) if by notice in writing under this hand sent to or left at the Office, he resigns his office; or<br><br>(d) if he is removed by ordinary resolution of the Company.   | Office of Director vacated in certain circumstances |

### ***Managing Directors***

- |  |   |
|--|---|
| 93. The Directors shall from time to time appoint or renew the appointment of any one (1) or more of their body to be managing director(s) for such maximum period as shall be permitted by the Listing Requirements and upon such terms as they think fit, and may vest in such managing director(s) such of the powers hereby vested in the Directors generally as they may think fit and such powers may be made exercisable for such period or periods, and upon such conditions, and subject to such restrictions, and generally upon such terms as to remuneration and otherwise as they may determine; and may, from time to time revoke, withdraw, alter or vary all or any of such powers and subject thereto, shall always be under the control of the Board. The remuneration of a managing director may be by way of salary or participation in profits or by any or all of those modes but shall not include a commission on or percentage of turnover. | Directors may appoint managing director |
| 94. A managing director or a person performing the functions of a managing director, by whatever name called shall be subject to retirement by rotation in accordance with the provisions of this Constitution and shall, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Director of the Company, and if he ceases to hold the office of Director he shall ipso facto and immediately cease to be a managing director, save so far as otherwise expressly provided by the agreement (if any) under which he holds that office.  | Special position of managing director   |

### ***Directors' Remuneration***

- |  |                                  |
|--|----------------------------------|
| 95. The fees of Directors, and any benefits payable Directors shall be subject to annual shareholder approval at a general meeting pursuant to the Act and the Listing Requirements, PROVIDED ALWAYS that fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover and any salaries payable to executive Directors may not include a commission on percentage of turnover. | Remuneration of Directors        |
| 96. The Company may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors, of any committee of the Directors, or general meetings, or otherwise in or about the business of the Company.  | Payment of expenses to Directors |

### ***Alternate Directors***

- |   |   |
|---|---|
| <p>97. A Director may appoint a person to act as his alternate provided that –</p> <p>(a) such person is not a Director of the Company;</p> <p>(b) such person does not act as an alternate for more than one Director of the Company;</p> <p>(c) the appointment is approved by a majority of the other members of the Board; and</p> <p>(d) any fee paid by the Company to the alternate shall be deducted from that Director's remuneration.</p> | <p>Appointment of alternate director and remuneration of alternate director</p> |
|---|---|

### ***Powers and Duties of Directors***

- |  |   |
|--|---|
| <p>98. The business of the Company shall be managed by Directors who may exercise all such powers of the Company as are not by the Act or by this Constitution required to be exercised by the Company in general meeting, subject nevertheless to any regulations of this Constitution, to the provisions of the Act, and to such regulations, not being inconsistent with the aforesaid regulations or provisions, as may be prescribed by special resolution of the Company, but no regulations so made by the Company shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. The general powers given by this Constitution shall not be limited or restricted by any special authority or power given to the Directors by any other Constitution. Provided that any sale or disposal of a substantial portion of the Company's main undertaking or property or any acquisition of an undertaking or property of substantial value shall be subject to the approval of the members in general meeting.</p> | <p>General power of Directors to manage Company's business</p>          |
| <p>99. The Directors may from time to time at any time by power of attorney or otherwise appoint any one (1) or more of their number or any other person or persons (whether employed by the Company or not) or any company or firm to be attorneys or agents of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) including the power to sub-delegate and for period and on such conditions as they may think fit and may revoke or vary any such appointment or delegation, but no person dealing in good faith and without notice of such revocation or variation shall be affected thereby.</p>  | <p>Power to appoint attorneys</p>                                       |
| <p>100. The Company may exercise the power conferred by the Act with regard to having an official seal for use abroad, and such powers shall be vested in the Directors. The Company may also have a "Share Seal" pursuant to the Act.</p>   | <p>Power to have a seal for use abroad</p>                              |
| <p>101. All cheques, promissory notes, drafts, bills of exchange and other negotiable or transferable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.</p>   | <p>Signature of cheques and bills</p>                                   |
| <p>102. The remaining Directors or a sole remaining Director may continue to act notwithstanding any vacancies in the Board but, if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with this Constitution, the remaining Directors or Director may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number, or to summon a general meeting of the Company.</p>  | <p>Remaining Directors may act to fill vacancies or summon meetings</p> |

### ***Appointment and Retirement of Directors***

- |  |  |
|--|--|
| <p>103. The Company may from time to time in general meeting increase or reduce the number of Directors and may appoint new Directors whether as additional Directors or in substitution for any Director.</p> | <p>Increase or reduction of Board size</p> |
|--|--|

104. No person, not being a retiring Director, shall be eligible for election to the office of Director at any general meeting unless a member intending to propose him for election has, at least eleven (11) clear days before the meeting, left at the Office a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such member to propose him for election, PROVIDED THAT in the case of a person recommended by the Directors for election, nine (9) clear days' notice only shall be necessary and notice of each and every candidature for election to the Board shall be served on the registered holders of shares at least seven (7) days prior to the meeting at which the election is to take place. Notice to nominate Directors
105. Subject to the provisions of the Act, the Company may by ordinary resolution remove any Director before the expiration of his period of office, and may, if thought fit, by ordinary resolution appoint another Director in his stead. Removal of Directors
106. Subject to this Constitution, at the first (1st) annual general meeting of the Company, all the Directors shall retire from office. An election of Directors shall take place each year at the annual general meeting of the Company where one-third (1/3) of the Directors for the time being or if their number is not a multiple of three (3), the number nearest to one-third (1/3) with a minimum of one (1), shall retire from office, PROVIDED ALWAYS that all Directors shall retire from office once at least in each three (3) years. Any such Directors retiring shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting, whether adjourned or not. Retirement of Directors by rotation
107. The Directors to retire in every year shall be those who, being subject to retirement by rotation, have been longest in office since their last election or appointment, but as between persons who became or were last re-elected Directors on the same day, those who retire shall (unless they otherwise agree amongst themselves) be determined by lot. A retiring Director shall be eligible for re-election. Selection of Directors to retire

#### ***Proceedings of Directors***

108. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of Directors. The meeting of Directors may be held by way of video conferencing and/or tele-conferencing and/or other forms of communications devices by means of which all Directors participating in the meeting as a whole have a reasonable opportunity to participate, and a minutes of the proceedings of such meeting is sufficient evidence of the proceedings to which it relates. Any Director participating in such a meeting shall for the purposes of this Constitution be deemed to be personally present at the meeting. It shall not be necessary to give notice of a meeting of Directors to any Director or alternate director for the time being absent from Malaysia. Meeting of Directors, votes and notice
109. The quorum necessary for the transaction of business of the Directors shall be two (2) Directors. The Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue, shall not have a casting vote. Quorum
110. The Directors may from time to time elect a Chairman who shall preside at meetings of Directors and determine the period for which he is to hold office, but if no such Chairman be elected or if at any meeting the Chairman be not present within ten (10) minutes after the time appointed for holding the same, the Directors present shall choose someone of their number to be Chairman of such meeting. Election of Chairman
111. The Directors may delegate any of their powers to a committee consisting of such member or members of their body as they think fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on them by the Directors. Power to appoint committee
112. An audit committee shall be appointed by the Directors from among their number, comprising such number and having such functions as prescribed by the Stock Exchange and the Listing Requirements. Audit Committee

113. A committee may elect a Chairman of its meetings. If no such Chairman is elected or if at any meeting the Chairman is not present within ten (10) minutes after the time appointed for holding the same, the members present may choose one (1) of their number to be Chairman of the meeting. Chairman of committees
114. A committee may hold its meeting by way of video conferencing and/or tele-conferencing and/or other forms of communications devices by means of which all members participating in the meeting as a whole have a reasonable opportunity to participate, and a minutes of the proceedings of such meeting is sufficient evidence of the proceedings to which it relates. Any member participating in such a meeting shall for the purposes of this Constitution be deemed to be personally present at the meeting. Questions arising at any meeting shall be determined by a majority of votes of the members participating in such meeting. Proceedings at committee meetings
115. The Directors may establish any local boards or agencies for managing any of the affairs of the Company, either in Malaysia or elsewhere, and may appoint persons to be members of such local boards, or managers or agents, and may fix their remuneration and may delegate to any local board, managers or agents any of the powers, authorities and discretions vested in the Directors with power so sub-delegate, and may authorise the members of any local boards or any of them to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby. Power to establish local boards, etc
116. All acts bona fide done by any meeting of Directors or of a committee of Directors or by any person acting as a Director shall, notwithstanding it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified be as valid as if every such person had been duly appointed and was qualified to be a Director. Validity of acts of Directors
117. The Directors shall cause proper minutes to be made of all general meetings of the Company, and also of all appointments of officers and of the proceedings of all meetings of Directors and committees, and of the attendances thereat, and all business transacted at such meetings, and any such minutes of any meeting, if purporting to be signed by the Chairman of such meeting or by the Chairman of the next succeeding meeting shall be conclusive evidence, without any further proof, of the facts therein stated. Minutes to be kept
118. A resolution in writing signed by all the Directors for the time being in Malaysia shall be as effective for all purposes as a resolution passed at a meeting of the Directors duly convened, held and constituted, and an alternate director may sign such resolution on behalf of his appointer. A resolution may consist of several documents in the like form, each signed by one (1) or more of the Directors. Resolution in writing
119. Any Director who is appointed to any executive office or who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine but not a commission on or percentage of turnover. Additional remuneration
120. (a) The Directors may pay pensions or allowances (either revocable or irrevocable and either subject or not subject to any terms or conditions) to any full-time Director as hereinafter defined on or at any time after his retirement from his office or employment under the Company on or after his death to his widow or other dependants. Pensions



- (b) The Directors shall also have power and shall be deemed always to have had power to establish and maintain any schemes or funds for providing pensions, sickness or compassionate allowance, life assurances or other benefits for staff (including any Directors for the time being holding any executive office or any office of profit) or employees of the Company or for the widow or other dependants of such persons and to make contributions out of the Company's moneys for any such schemes or funds.
  - (c) In this Constitution, the expression "full-time Director" shall mean and include any Director who has for a continuous period of not less than five (5) years been engaged substantially whole-time in the business of the Company in any executive office or any office of profit or partly in one (1) and partly in another.
121. A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature and extent of his interest in interest accordance with the provisions of the Act.
122. (1) (a) A Director shall not vote in respect of any contract or proposed contract or arrangement in which he is interested whether directly or indirectly and if he should voting do so his vote should not be counted.
- (b) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested, be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established, provided that disclosure of interest is made as required by the Act. Director may hold other office under the Company
- (c) A Director notwithstanding his interest may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company, (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the Directors resolve to enter into or make any arrangements with him or on his behalf or whereat the terms of any such appointments or arrangements as hereinbefore mentioned are considered, and he may vote on any such matter other than in respect of the appointment of or arrangements with himself or the fixing of the terms thereof. Director appointed at a meeting to hold other office to be counted in the quorum
- (d) Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, providing that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company. Director may act in a professional capacity
- (e) A general notice that a Director, alternate director or managing director is a member of or interested in any specified firm or corporation with whom any contract is proposed to be entered into in relation to the affairs of the Company and is to be regarded as interested in all transactions with such firm or corporation shall be a sufficient disclosure under this clause as regards such Director and the said transaction and after such general notice it shall not be necessary for such Director to give any special notice relating to any particular transaction with such firm or corporation. General notice of interest in contract

- (2) A Director of the Company may become a director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of or from his interest in such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid. Director's interest in corporation promoted by Company
- (3) Notwithstanding anything in this Constitution, a Director's obligation to make disclosure and his right to attend any such meetings and to be counted as part of the quorum or vote thereat shall be subject to the Act and the Listing Requirements.

#### ***Authentication Of Documents***

123. Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the Constitution of the Company and any resolutions passed by the Company or the Directors, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies of extracts; and where any books, records, documents or accounts are kept elsewhere than at the office the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid. Power to authenticate documents
124. A document purporting to be a copy of a resolution of the Directors or an extract from the minutes of a meeting of the Directors which is certified as such in accordance with the provisions of the last preceding Constitution shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Directors. Certified copies of resolution of the Directors

#### ***Corporations Acting by Representatives***

125. Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representatives at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company. Representatives

#### ***Secretary***

126. The Secretary or Secretaries of the Company shall be appointed by the Directors for such term or terms at such remuneration and upon such conditions as they may think fit, and any Secretary or Secretaries so appointed may be removed by them, but without prejudice to any claim he or they may have for damages for any breach of contract of service against the Company. Appointment of Secretary
127. The Directors may from time to time by resolution appoint a temporary substitute for the Secretary, who shall be deemed to be the Secretary during the term of his appointment. Appointment of substitute

***Common Seal***

128. The Seal shall not be affixed to any instrument except by authority of resolution of the Board, and in the presence of at least one (1) Director and the Secretary or another Director or such other person as the Directors may appoint for the purpose and such Director and the Secretary or other persons as aforesaid shall sign every instrument to which the Seal shall be affixed in their presence, and in favour of any person bona fide dealing with the Company such signatures shall be conclusive evidence of the fact that the Seal has been properly affixed. Seal to be affixed by authority of the Board

***Dividends and Reserve Fund***

129. Subject to the rights of holders of shares with special rights as to dividend (if any), all dividends shall be declared and paid according to the amounts paid on the shares in respect whereof the dividend is paid, but (for the purposes of this Constitution only) no amount paid on a share in advance of calls shall be treated as paid on the Share. All dividends shall be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly. Apportionment of dividends
130. Subject to the Act, the Directors may with the sanction of a general meeting from time to time declare dividends, but no such dividends shall be payable except out of profits of the Company, provided that the Directors may, if they think fit from time to time pay to the members such interim dividends as appear to them to be justified by the profits of the Company. No higher dividend shall be paid than is recommended by the Directors and the declaration of the Directors as to the amount of the net profits shall be conclusive. Unless otherwise permitted by the Listing Requirements or a waiver in writing is obtained from the Stock Exchange, once a dividend has been declared, no subsequent alteration to the dividend entitlement may be made and all dividends are to be paid not later than three (3) months from the date of declaration or the date on which approval is obtained at the general meeting, whichever is applicable. Declaration of dividends
131. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may pay the fixed preferential dividends on any class of shares carrying a fixed preferential dividend expressed to be payable on fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issued of the shares, and subject thereto may also from time to time pay to the holders of any other class of shares interim dividends thereon of such amounts and on such dates as they think fit. Payment of preference and interim dividends
132. Subject to the provisions of the Act, where any asset, business or property is bought by the Company as from a past date upon the terms that the Company shall as from that date take the profits and bear the losses thereof, such profits or losses, as the case may be, shall, at the discretion of the Directors, be credited or debited wholly or in part to revenue account, and in that case the amount so credited or debited shall, for the purpose of ascertaining the fund available for dividend, be treated as a profit or loss arising from the business of the Company and available for dividend accordingly. Subject as aforesaid, if any shares or securities are purchased cum dividend or interest such dividend or interest when paid may at the discretion of the Directors be treated as revenue, and it shall not be obligatory to capitalise the same or any part thereof. Profit earned before acquisition of a business

133. The Directors may set aside out of the profits of the Company such sums as they think proper as a reserve fund or reserve funds which shall at the discretion of the Directors be applicable for meeting contingencies, for the gradual liquidation of any debt or liability of the Company, or repairing or maintaining any works connected with the business of the Company or shall with the sanction of the Company in general meeting be, as to the whole or in part, applicable for equalising dividends or for distribution by way of bonus among the members for the time being on such terms and in such manner as the Company in general meeting shall from time to time determine, and pending such application the Directors may employ the sums from time to time so set apart as aforesaid in the business of the Company or invest the same in such securities (other than the shares of the Company) as they may select. The Directors may also from time to time carry forward such sums as may be deemed expedient in the interest of the Company. Power to carry profit to reserve
134. The Company may, upon the recommendation of the Directors, by ordinary resolution direct payment of a dividend either in whole or in part by the distribution of specific assets and in particular of paid-up shares, debentures or debenture stock of any other company or in any one (1) or more of such ways; and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors. Payment of dividends in specie
135. Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto at such address as such person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or, subject to the Act, the Central Depositories Act and the Rules, person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. Dividends payable by cheque
136. Every dividend warrant may be sent by post to the last registered address of the member entitled thereto, and the receipt of the person, whose name on the date of the declaration of the dividend appears on the Register of Members or Record of Depositors as the owner of any share shall be a good discharge to the Company for all payments made in respect of such share. No unpaid dividend or interest shall bear interest against the Company. The Directors may retain any dividend payable to a member or any part thereof and set the same off against the amount of any call made in respect of such member's shares and unpaid and whether such call shall have been made before or after the declaration of the dividend in question. Unpaid dividends not bear interest against Company
137. The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Retention of dividends on shares subject to lien
138. Subject to the Act, the Central Depositories Act and the Rules, the Directors may retain the dividends payable on shares in respect of which any person is under the provisions as to the transmission of shares before herein contained to become a member, or which any person under those provisions is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same. Retention of dividends on shares pending transmission
139. The payment by the Directors of any unclaimed dividend or other moneys payable on or in respect of share into a separate account shall not constitute the Company a trustee in respect thereof and any dividend unclaimed after a period of six (6) years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company or may be paid by the Company in accordance with the Unclaimed Monies Act 1965. Unclaimed dividends

140. Notwithstanding anything contained in this Constitution, a Depositor's entitlement to dividends, rights issues, bonus issues or any other rights or options in the Company by virtue of any Deposited Security standing to the credit of his Securities Account shall be subject to the Act, the Central Depositories Act and the Rules. Right to dividend in respect of a Deposited Security credited into a Securities Account

### ***Capitalisation of Profits and Reserves***

141. The Company may, upon the recommendation of the Directors, by ordinary resolution resolve that it is desirable to capitalise any sum standing to the credit of profit and loss account or otherwise available for distribution amongst the members, provided that such sum be not required for paying the dividends on any shares carrying a fixed cumulative preferential dividend, and accordingly that the Directors be authorised and directed to appropriate the sum resolved to be capitalised to the members in the proportion in which such sum would have been divisible amongst them had the same been applied or been applicable in paying dividends, and to apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares or debentures of the Company of an amount equal to such sum, such shares or debentures to be allotted, distributed and credited as fully paid up to and amongst such members in the proportion aforesaid or partly in one way and partly in the other. Power to capitalise profits
142. Wherever such a resolution as aforesaid is passed, the Directors shall make all appropriation and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions and also to authorise any person to enter on behalf of all the members entitled thereto into an agreement with the Company providing for the allotment to them respectively credited as fully paid up of any further shares or debentures to which they may be entitled upon such capitalisation or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares and any agreement made under such authority shall be effective and binding on all such members. Capitalisation of profits

### ***Minutes and Books***

143. The Directors shall cause minutes to be made in books to be provided for the purpose:- Minutes
- (a) of all appointments of officers made by the Directors;
  - (b) of the names of the Directors present at each meeting of Directors and of any committee of Directors;
  - (c) of all resolutions and proceedings at all meetings of the Company and of any class of members of the Company and of the Directors and of the committees of Directors.
144. The Directors shall duly comply with the provisions of the Act and in particular the provisions in regard to registration of charges created by or affecting property of the Company, in regard to keeping a register of Directors and Secretaries, a register of members, a register of mortgages and charges, a register of Director's share and debenture holdings and in regard to the production and furnishing of copies of such registers and of any register of holders of debentures of the Company. Keeping of registers etc.
145. Any register, index, minutes book, book of account or other book required by this Constitution or the Act to be kept by or on behalf of the Company may be kept either by making entries in bound books or by recording them in any other manner. In any case in which bound books are not used, the Directors shall take adequate precautions for guarding against falsification and for facilitating its discovery. Form of registers etc.

### **Accounts**

- |      |   |   |
|------|---|---|
| 146. | The Directors shall cause to be kept such books of accounts as are necessary to comply with provisions of the Act.  | Accounts to be kept   |
| 147. | The books of account shall be kept at the Office, or at such other place within Malaysia as the Directors think fit and shall always be open to the inspection of the Directors. No member (other than a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Act or authorised by the Directors.   | Inspection of accounts  |
| 148. | The Directors shall from time to time in accordance with the provisions of the Act and the requirements of the Stock Exchange and the Listing Requirements cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as may be necessary.  | Presentation of accounts  |
| 149. | A copy of every balance sheet and profit and loss account which is to be laid before the Company in general meeting (including every document required by law to be annexed thereto) together with a copy of the auditor's report relating thereto and of the Directors' report shall not more than four (4) months after the close of the financial year of the Company and not less than twenty-one (21) days before the date of the meeting, be sent to every member of, and every holder of debentures of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of this Constitution. Provided that this Constitution shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application to the Office. The Company shall cause the dispatch of these documents to the Stock Exchange in the requisite number of copies as may be required by the Stock Exchange simultaneous to the dispatch of these documents to the members as aforesaid. | Copies of accounts to Members etc.  |
| 150. | Save as may be necessary for complying with the provisions of the Act or the Listing Requirements or as the Company may by special resolution otherwise resolve, the Directors shall not be bound to publish any list or particulars of the securities or investments held by the Company or to give any information with reference to the same to any member.  | Particulars of investments  |
| 151. | Auditors shall be appointed and their duties regulated in accordance with the provisions of the Act.  | Auditors  |
| 152. | Subject to the provisions of the Act, all acts done by any person acting as an auditor shall, as regards all persons dealing in good faith with the Company, be valid, notwithstanding that there was some defect in his appointment or that he was at the time of his appointment not qualified for appointment.   | Validity of acts of Auditors in spite of some formal defect                   |
| 153. | The auditor or auditors shall be entitled to attend any general meeting and to receive all notices of and other communications relating to any general meeting which any member is entitled to receive, and to be heard at any general meeting on any part of the business of the meeting which concerns him as auditor.  | Auditor's rights to receive notice of and attend and speak at general meeting |

### **Notices**

- |      |  |                   |
|------|--|-------------------|
| 154. | Any notice or document may be served by the Company on any holder of Listed Securities either personally, by fax, by telex or by sending it through the post in a prepaid letter addressed to such holder of Listed Securities at his registered address as appearing in the Register of Members or the Record of Depositors, or (if he has no such registered address within Malaysia) to an address within Malaysia supplied by him to the Company as his address for the service of notices and documents. Where a notice or other document is served by post, service shall be deemed to be effected at the time when the letter containing the same is posted, and in proving such service it shall be sufficient to prove that such letter was properly addressed, stamped and posted. | Service of notice |
|------|--|-------------------|

155. A person entitled to Listed Securities in consequence of the death or bankruptcy of a holder of Listed Securities, upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the Listed Securities and upon supplying also an address within Malaysia for the service of notices and documents, shall be entitled to be served upon him at such address within Malaysia any notice or document to which the holder of Listed Securities but for his death or bankruptcy would be entitled, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested in the Listed Securities. Save as aforesaid, any notice or document delivered or sent by post to or left at the registered address of any holder of Listed Securities in pursuance of this Constitution shall, notwithstanding that such holder of Listed Securities be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Listed Securities registered in the name of such holder of Listed Securities. Service of notices after death or bankruptcy of a holder of Listed Securities
156. Every person who, by operation of law, transfer, transmission or other means whatsoever, becomes entitled to any Listed Securities, shall be bound by every notice and documents which have been duly served to the person from whom he derives the titles of such Listed Securities, prior to his name and address being entered in the Register of Members or Record of Depositors as the registered holder of such Listed Securities. Persons bound by notice
157. Any holder of Listed Securities described in the Register of Members by an address not within Malaysia who shall from time to time give the Company an address within Malaysia at which notices and documents may be served upon him and he shall be entitled to have served upon him at such address within Malaysia any notice and document to which he is entitled under this Constitution. Holders of Listed Securities abroad may give an address for service
158. If a holder of Listed Securities whose registered address as appearing in the Register of Members or Record of Depositors is outside Malaysia and he has not supplied to the Company an address within Malaysia for the giving of notices and documents to him, such holder of Listed Securities shall not be entitled to receive any notice or document from the Company, and service of such notice or document to holder of Listed Securities at an address within Malaysia or Record of Depositors or at an address within Malaysia supplied to the Company, shall be deemed good and effectual service of such notice or document. Service of notices on Holders of Listed Securities
159. Any notice on behalf of the Company or of the Board of Directors shall be deemed effectual if it purports to bear the signature of a duly authorised officer of the Company. Effectual notice

### ***Winding Up***

160. (a) If the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the members in proportion to the capital, at the commencement of the winding up, paid up or which ought to have been paid up on the shares held by them respectively. But this Constitution is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions. Distribution of assets
- (b) If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide among the members or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one (1) or more class or classes of property to be divided aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares in respect of which there is a liability. Distribution of assets

### ***Indemnity***

161. Subject to the provisions of the Act, the Directors, auditors, managing agents, Secretary and other officers for the time being of the Company, and any trustee for the time being acting in relation to any of the affairs of the Company and his heirs, executors and administrators respectively shall be indemnified out of the assets of the Company from and against all actions, proceedings, costs, charges, losses, damages and expenses which he shall or may incur or sustain by reason of any act done or omitted in or about the execution of his duty in his respective office or trusts, except such (if any) as he shall incur or sustain by or through his own wilful neglect or default respectively, and such officer or trustee shall not be answerable for the acts, receipts, neglects, or defaults, of any other officer or trustee or for joining in any receipt for the sake of conformity, or for the solvency or honesty of any banker or other person with whom any moneys, or effect belonging to the Company may be lodged or deposited for safe custody or for any insufficiency or deficiency of any security upon which any moneys of the Company shall be invested or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of his office or trust, unless the same shall happen through the wilful neglect or default of such officer or trustee.

Indemnity

### ***Alteration of Constitution***

162. So long as it is a requirement of the rules laid down by the Stock Exchange, the Company shall not delete, amend or add to any of its existing Constitution, unless prior written approval has been sought and obtained from the Stock Exchange and any such deletion, amendment or addition as aforesaid shall be in accordance with the provisions of the Act.

Alteration of  
Constitution

### ***Constitution of Subsidiaries***

163. The Constitution of the subsidiaries of the Company shall contain the provisions or requirements as set out in the Listing Requirements and such other or further additional provisions or requirements as may from time to time be prescribed by the Stock Exchange.

Constitution of  
Subsidiaries

### ***Effect of the Listing Requirements***

164. (1) Notwithstanding anything contained in this Constitution, if the Listing Requirements prohibit an act being done, the act shall not be done.
- (2) Nothing contained in this Constitution prevents an act being done that the Listing Requirements require to be done.
- (3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (4) If the Listing Requirements require this Constitution to contain a provision and it does not contain such a provision, this Constitution are deemed to contain that provision.
- (5) If the Listing Requirements require this Constitution not to contain a provision and they contain such a provision, this Constitution are deemed not to contain that provision.
- (6) If any provision of this Constitution is or becomes inconsistent with the Listing Requirements, this Constitution are deemed not to contain that provision to the extent of the inconsistency.

Effect of  
the Listing  
Requirements

### ***Compliance***

165. Notwithstanding this Constitution, the Company shall comply with the Act, the Central Depositories Act and the Rules in respect of all matters relating to Securities, where applicable.

Compliance  
with the Act,  
the Central  
Depositories Act  
and the Rules





**FARLIM GROUP (MALAYSIA) BHD** (82275-A)

發林集團(馬)有限公司

(Incorporated in Malaysia)

Number of Shares Held

CDS Account No.

## FORM OF PROXY

I/We, \_\_\_\_\_ (NRIC/Passport/Co. No.: \_\_\_\_\_)  
(Block Letters)

of \_\_\_\_\_  
(Full Address)

being a member/members of FARLIM GROUP (MALAYSIA BHD).

hereby appoint\* \_\_\_\_\_ (NRIC/Passport No.: \_\_\_\_\_) of

and/or failing him, \_\_\_\_\_ (NRIC/Passport No.: \_\_\_\_\_)

of \_\_\_\_\_

or failing him/them, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Thirty-Seventh Annual General Meeting of the Company to be held at Holiday Villa, Ivory 10, No. 9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 26 June 2019 at 10.00 a.m. or any adjournment thereof in the manner indicated below:

No.	Resolutions		For	Against
1.	Approval of payment of Directors' Fees and benefits	(Ordinary Resolution 1)		
2.	Re-election of Directors who retire pursuant to Article 104:-			
	2.1 Mr. Lim Chu Dick	(Ordinary Resolution 2)		
	2.2 Encik Khairilnuar Bin Abdul Rahman	(Ordinary Resolution 3)		
3.	Re-appointment of Auditors Baker Tilly Monteiro Heng PLT	(Ordinary Resolution 4)		
4.	Approval for Directors to allot shares pursuant to Section 76 of the Companies Act, 2016	(Ordinary Resolution 5)		
5.	Proposed Share Buy-Back up to 10% of the total number of issued shares of the Company	(Ordinary Resolution 6)		
6.	Retention of Mr. Koay Say Loke Andrew as Independent Director	(Ordinary Resolution 7)		
7.	Proposed adoption of Constitution of the Company	(Special Resolution)		

Please indicate with an "X" in the appropriate box against the resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.

\* For appointment of two (2) proxies, percentage of shareholdings represented by each proxy is to be indicated below:-

Name of Proxy	No. of Shares	%
Proxy 1 :		
Proxy 2 :		
Total		100%

Date

Signature

### Notes:

A member shall be entitled to appoint any person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at the Meeting. A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy.

A member may appoint one (1) proxy or more proxies in relation to the Meeting and where a member appoints more than one (1) proxy as aforesaid, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

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

If the member is a corporation, the proxy form must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.

The form of proxy or instrument appointing a proxy duly completed and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's Registered Office situated at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

For the purposes of determining whether a depositor shall be regarded as a member entitled to attend, speak and vote at this Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue pursuant to Paragraph 7.16(2) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad a Record of Depositors as at 12 June 2019 and a depositor shall not be regarded as a member entitled to attend this Meeting and to speak and vote thereat unless his/her name appears in the said Record of Depositors.

Please fold across the lines and close

stamp

The Company Secretary  
**FARLIM GROUP (MALAYSIA) BHD (82275-A)**  
No. 2-8, Bangunan Farlim  
Jalan PJS 10/32  
Taman Sri Subang  
46150 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

Please fold across the lines and close



**FARLIM GROUP (MALAYSIA) BHD**  
(82275-A)  
發林集團(馬)有限公司

**Penang office:**

1 Lintang Angsana, Bandar Baru Ayer Itam,  
11500 Penang, Malaysia

**Tel :** (60) 4-829 8899, **Fax :** (60) 4-829 8811

**Petaling Jaya office:**

Address No.2 - 8, Bangunan Farlim , Jalan PJS 10/32,  
Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia

**Tel :** (60) 3 - 5635 5533, **Fax :** (60) 3 - 5635 0301

**[www.farlim.com.my](http://www.farlim.com.my)**