## STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | Note | RM | RM | RM | RM |
| **Operating activities** | | | | | |
| Profit before tax | | 52,589,276 | 22,348,004 | 51,350,643 | 18,011,744 |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | 13 | 3,404,371 | 3,513,011 | 3,404,371 | 3,513,011 |
| Dividend income | 5 | (3,356,167) | (3,465,533) | (3,356,167) | (7,065,533) |
| Interest income | | (7,556,353) | (6,468,557) | (7,535,577) | (6,411,192) |
| Gain on sale of property, plant and equipment | 6 | (298,914) | - | (298,914) | - |
| Net gain on fair value changes of available-for-sale investment securities (transfer to profit or loss upon disposal) | 6 | (99,347) | (68,737) | (99,347) | (68,737) |
| Property, plant and equipment written off | 7 | 39,518 | 122,800 | 39,518 | 122,800 |
| Provision for impairment loss on investment in a joint venture | 7 | 3,641,749 | - | 3,879,602 | 10,611,268 |
| Share of results of associates | | (1,986,210) | 1,827,427 | - | - |
| Share of results of a joint venture | | 997,694 | 899,640 | - | - |
| (Gain)/loss on foreign exchange | 6,7 | (2,774,844) | 214,091 | (2,774,844) | 214,091 |
| Total adjustments | | (7,988,503) | (3,425,858) | (6,741,358) | 915,708 |
| **Operating cash flows before changes in working capital** | | 44,600,773 | 18,922,146 | 44,609,285 | 18,927,452 |
| Changes in working capital | | | | | |
| (Increase)/decrease in inventories | | (653,136) | 1,662,738 | (653,136) | 1,662,738 |
| Decrease/(increase) in receivables | | 1,669,205 | (1,519,772) | 1,669,205 | (1,519,772) |
| Increase in payables | | 2,880,838 | 826,639 | 2,878,188 | 826,639 |
| Total changes in working capital | | 3,896,907 | 969,605 | 3,894,257 | 969,605 |
| **Cash flows from operations** | | 48,497,680 | 19,891,751 | 48,503,542 | 19,897,057 |
| Income taxes paid | | (9,785,283) | (3,763,144) | (9,772,599) | (3,760,000) |
| **Net cash flows from operating activities** | | 38,712,397 | 16,128,607 | 38,730,943 | 16,137,057 |
| **Investing activities** | | | | | |
| Dividends received from | | | | | |
| - an associate | | - | 3,600,000 | - | - |
| - a subsidiary | | - | - | 3,600,000 | - |
| - investment securities | | 3,084,667 | 2,874,797 | 3,084,667 | 2,874,797 |
| Increase in biological assets | 14 | (214,102) | (414,039) | (214,102) | (414,039) |
| Interest received | | 6,510,308 | 4,934,032 | 6,489,073 | 4,876,281 |
| Purchase of: | | | | | |
| - investment securities | | (4,285,415) | (6,349,603) | (4,285,415) | (6,349,603) |
| - property, plant and equipment | 13 | (4,308,362) | (1,615,706) | (4,308,362) | (1,615,706) |
| Proceeds from sale of: | | | | | |
| - investment securities | | 2,464,883 | 2,881,073 | 2,464,883 | 2,881,073 |
| - property, plant and equipment | | 352,248 | - | 352,248 | - |
| Changes in deposits with maturity of more than 3 months | | (2,161,336) | (143,246,734) | (2,161,336) | (143,146,734) |
| **Net cash flows generated from/(used in) investing activities** | | 1,442,891 | (137,336,180) | 5,021,656 | (140,893,931) |
| **Financing activity** | | | | | |
| Dividends paid to owners of the Company, representing net cash flows used in financing activity | 12 | (17,359,018) | (14,618,120) | (17,359,018) | (14,618,120) |
| **Net increase/(decrease) in cash and cash equivalents** | | 22,796,270 | (135,825,693) | 26,393,581 | (139,374,994) |
| Effects of exchange rate changes on cash and cash equivalents | 6,7 | 2,774,844 | (214,091) | 2,774,844 | (214,091) |
| **Cash and cash equivalents at 1 September 2016/2015** | | 83,312,703 | 219,352,487 | 79,033,699 | 218,622,784 |
| **Cash and cash equivalents at 31 August** | 21 | 108,883,817 | 83,312,703 | 108,202,124 | 79,033,699 |

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

## 1. Corporate information

Chin Teck Plantations Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

The principal activities of the Company are the cultivation of oil palms, production and sale of fresh fruit bunches, crude palm oil and palm kernel, and investment holding. The principal activity of the subsidiary is that of investment holding. There have been no significant changes in the nature of the 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 29 November 2017.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

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

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

The financial statements are presented in Ringgit Malaysia ("RM").

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 September 2016, the Group and the Company adopted the following new and amended FRSs mandatory for annual financial periods beginning on or after 1 January 2016.

**Effective for annual periods beginning on or after 1 January 2016:**

| | |
|---|---|
| Amendments to FRS 116 and FRS138 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to FRS 5, FRS 7, FRS 119 and FRS134 | Annual Improvements to FRSs 2012 - 2014 Cycle |
| Amendments to FRS 10, FRS 12 and FRS 128 | Investment Entities: Applying the Consolidation Exception |
| Amendments to FRS 11 | Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to FRS 127 | Equity Method in Separate Financial Statements |
| Amendments to FRS 101 | Disclosure Initiatives |
| FRS 14 | Regulatory Deferral Accounts |

Adoption of the above new and amended standards did not have any effect on the financial performance or the financial position of the Group and of the Company.

### 2.3 Standards issued but not yet effective

The standards, amendments to standards and interpretations that are issued but not yet effective up to the date of the financial statements of the Group and of the Company are discussed below. The Group and the Company intend to adopt these standards, amendments to standards and interpretations, if applicable, when they become effective.

**Effective for annual periods beginning on or after 1 January 2017:**

| | |
|---|---|
| Amendments to FRS 107 | Statement of Cash Flows: Disclosure Initiatives |
| Amendments to FRS 112 | Income Taxes: Recognition of Deferred Tax for Unrealised Losses |
| Amendments to FRS 12 | Annual Improvements to FRSs 2014 - 2016 Cycle |

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

### 2.3 Standards issued but not yet effective (cont'd.)

**Effective for annual periods beginning on or after 1 January 2018:**

| | |
|---|---|
| Amendments to FRS 2 | Classification and Measurement of Share-based Payment Transactions |
| FRS 9 | Financial Instruments |
| Amendments to FRS 1 and FRS 128 | Annual Improvements to FRSs 2014 - 2016 Cycle |
| Amendments to FRS 4 | Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts |
| Amendments to FRS 140 | Transfers of Investment Property |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments |

**Deferred**

| | |
|---|---|
| Amendments to FRS 10 and FRS128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The directors expect that the adoption of the above standards, amendments to standards and interpretations are not expected to have any material impact on the financial statements of the Group and of the Company in the period of initial application, except as discussed below:

**Amendments to FRS 107: Statement of Cash Flows: Disclosure Initiative**

The amendments to FRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

**FRS 9: Financial Instruments**

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The Group and the Company will assess the impact of adoption of the new standard and will adopt the new standard on the required effective date.

**Malaysian Financial Reporting Standards (MFRS Framework)**

On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). This is in line with the need for convergence with International Financial Reporting Standards ("IFRS") in 2012.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141: Agriculture and IC Interpretation 15: Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

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

### 2.3 Standards issued but not yet effective (cont'd.)

**Malaysian Financial Reporting Standards (MFRS Framework) (cont'd.)**

The Group and the Company fall within the definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the year ending 31 August 2019. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company have opted to defer the adoption of the MFRS Framework to the financial period beginning on 1 September 2018.

At the date of these financial statements, the Group and the Company have not completed their quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the Group and the Company. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 August 2017 could be different if prepared under the MFRS Framework.

The new standards (which are applicable upon adoption of MFRS Framework) that are issued but not yet effective up to the date of issuance of the financial statements of the Group and of the Company are disclosed below.

**(a) MFRS 15: Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group and the Company are currently assessing the impact of MFRS 15 and plan to adopt the new standard on the required effective date.

**(b) MFRS 16: Leases**

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

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

### 2.3 Standards issued but not yet effective (cont'd.)

**Malaysian Financial Reporting Standards (MFRS Framework) (cont'd.)**

**(b) MFRS 16: Leases (cont'd.)**

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt the new standard on the required effective date.

### 2.4 Basis of consolidation

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

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

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

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

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

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

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

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

(iii) Rights arising from other contractual arrangements; and

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

Subsidiary is consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

All intra-group balances, income and expenses, and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests, if any are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

### 2.4 Basis of consolidation (cont'd.)

When the Company loses control of a subsidiary, a gain or loss calculated as the difference between:

(i) aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss.

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

<u>Business combination</u>

Acquisition of subsidiary is accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects on a transaction-by-transaction basis, whether non-controlling interests in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position.

### 2.5 Subsidiary

Subsidiary is an entity over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee as further described in Note 2.4.

In the Company's separate financial statements, investment in a subsidiary is stated at cost less impairment losses.

On derecognition of such investment, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

### 2.6 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

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

### 2.6 Associates (cont'd.)

The Group's investments in associates are accounted for using equity method. Under the equity method, the investments in associates are measured in the Group's statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investments. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with that of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

### 2.7 Investment in a joint venture

The Group has an interest in a joint venture. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investment in a joint venture is accounted for in the financial statements of the Group using the equity method as described in Note 2.6.

In the Company's separate financial statements, investment in a joint venture is stated at cost less impairment losses.

On disposal of the investment, the difference between net disposal proceeds and its carrying amount is included in profit or loss.

### 2.8 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### (a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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

### 2.8 Revenue recognition (cont'd.)

#### (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.

### 2.9 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The freehold land and a parcel of leasehold land have not been revalued since their revaluation in 1983. The directors have not adopted a policy of regular revaluations of such land. As permitted by the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment, these assets continue to be stated at their 1983 valuation less accumulated depreciation.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offset an existing surplus on the same asset carried in the asset revaluation reserve.

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital-work-in-progress are not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Leasehold land | 86 and 99 years |
| Buildings | 10 to 50 years |
| Motor vehicles | 5 years |
| Office and estate equipment, furniture and fittings and plant and machinery | 10 to 20 years |

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

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

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

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

### 2.10 Biological assets

This represents plantation development expenditure consisting of cost incurred on land clearing and upkeep of oil palms which are initially recorded at cost and are not amortised. Subsequent to recognition, plantation development expenditure is stated at valuation or cost less any accumulated impairment losses.

These assets which are stated at valuation were revalued by accredited independent valuers in 1983 based on their open market value on existing use basis. The surplus or deficit arising from the revaluation was transferred to the asset revaluation reserve as described in Note 24(a).

The directors have not adopted a policy of regular revaluations of such biological assets. As permitted by the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment, these assets continue to be stated at their 1983 valuation.

### 2.11 Replanting expenses

Replanting expenses incurred in the financial year is recognised in profit or loss. Replanting expenses represent the total cost incurred from land clearing to the point of harvesting.

### 2.12 Inventories

Inventories of oil palm produce and estate stores are stated at the lower of cost (determined on a weighted average basis) and net realisable value. Cost of inventories of oil palm produce includes, where appropriate, the cost of direct materials, direct labour and appropriate production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### 2.13 Foreign currencies

#### (a) Functional and presentation currency

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

#### (b) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

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

**2.13 Foreign currencies (cont'd.)**

**(c) Foreign operations**

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

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

**2.14 Employee benefits**

**(a) Short term benefits**

Wages, salaries, commissions, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(b) Defined contribution plans**

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

**2.15 Income taxes**

**(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

**(b) Deferred tax**

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

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

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

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

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

### 2.15 Income taxes (cont'd.)

#### (b) Deferred tax (cont'd.)

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

### 2.16 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.

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

### 2.17 Impairment of non-financial assets

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

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

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

### 2.17 Impairment of non-financial assets (cont'd.)

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

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

### 2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value and with original maturities of not more than 3 months.

### 2.19 Financial assets

Financial assets 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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

#### (a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on settlement date.

The Group and the Company have not designated or classified any financial assets at fair value through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

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

**2.19 Financial assets (cont'd.)**

**(b) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than twelve months after the reporting date which are classified as non-current.

The Group and the Company have classified their cash and bank balances and receivables as loans and receivables as summarised in Note 20.

**(c) Held-to-maturity**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within twelve months after the reporting date which are classified as current.

The Group and the Company have not designated or classified any financial assets as held-to-maturity.

**(d) Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the right of the Group and of the Company to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within twelve months after the reporting date.

The Group and the Company have classified their investments in securities as available-for-sale financial assets.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognised in other comprehensive income is recognised in profit or loss.

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

**2.19 Financial assets (cont'd.)**

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date the Group and the Company commit to purchase or sell the asset.

**2.20 Impairment of financial assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

**(a) Trade and other receivables carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the customer and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the past experience of collecting payments by the Group and the Company, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flows discounted at the original effective interest rate of the financial assets. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**(b) Unquoted equity securities carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

**(c) Available-for-sale financial assets**

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

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

### 2.20 Impairment of financial assets (cont'd.)

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

### 2.21 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities 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. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

**(a) Financial liabilities at fair value through profit or loss**

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

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated or classified any financial liabilities as at fair value through profit or loss.

**(b) Other financial liabilities**

The financial liabilities of the Group and of the Company include trade payables and other payables. All financial liabilities of the Group and of the Company are classified as other financial liabilities as summarised in Note 22.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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

### 2.22 Leases

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

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

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

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

### 2.23 Segment reporting

The principal activities of the Group are the cultivation of oil palms, production and sale of fresh fruit bunches, crude palm oil and palm kernel and are wholly carried out in Malaysia. The management of the Company regularly reviews the segment performance. Additional disclosures on each of the segments are shown in Note 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.24 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 2.25 Fair value measurement

The Group and the Company measure certain of their financial instruments and non-financial instruments at fair value at each reporting date.

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

(i) In the principal market for the asset or liability, or

(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

### 2.25 Fair value measurement (cont'd.)

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

At each reporting date, the Board analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the accounting policies of the Group and of the Company. For this analysis, the Board verifies inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents which also includes comparison with other relevant external sources to determine if any change is reasonable.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above in the individual notes relating to the assets and liabilities whose fair value were determined.

### 2.26 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group and the Company classify all other liabilities as non-current.

Deferred tax liabilities are classified as non-current liabilities.

## 3. Significant accounting judgements and estimates

The preparation of the financial statements of the Group and of the Company requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

**Key sources of estimation uncertainty**

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

3. **Significant accounting judgements and estimates (cont'd.)**

**(a) Impairment of investment in an associate**

Since previous financial years, the unrest in the surrounding villages located in the vicinity of the plantations in Lampung Province, Indonesia has caused the disruption in routine harvesting of fresh fruit bunches. The associate has maintained its existing staff force to enable it to resume normal operations. The associate has since commenced harvesting activities and mill operations. Total area accessed was approximately 39% (2016: 39%) of total area planted.

The Group and the Company determine at each reporting date whether there is any indication that the investment in an associate may be impaired.

Impairment exists when the carrying value of investment in an associate exceeds its recoverable amount, which is the higher of fair value less costs of sell ("FVLCS") and value in use ("VIU").

VIU is based on a DCF model which requires the Group and the Company to make an estimate of the expected future cash flows and to determine the appropriate discount rate to calculate the present value of those cash flows.

The recoverable amount was determined from VIU calculations, using cash flows projection at a discount rate of 15% (2016: 15%).

The following factors are being considered in estimating cash flows projection:

(a) Projected period of which the associate is expected to regain full access to the planted area;
(b) Estimated crude palm oil and palm kernel prices; and
(c) Estimated yield.

If the routine harvesting of fresh fruit bunches is further disrupted by a year, the recoverable amount from the investment in an associate for the Group and the Company will be reduced by RM4,779,871.

An increase in 1% of discount rate would result in the recoverable amount from the investment in an associate for the Group and the Company to be reduced by RM7,409,024.

The carrying amount of the investment in associates of the Group and of the Company at the reporting date is disclosed in Note 16.

**(b) Impairment of investment in a joint venture**

The harvesting of mature palms of the joint venture engaged in oil palm cultivation in South Sumatera Province, Indonesia has been suspended due to the unrest in villages neighbouring the estate. The joint venture has maintained its existing staff force to enable it to commence harvesting which is pending clearance by the relevant authorities.

The Group and the Company determine at each reporting date whether there is any indication that the investment in a joint venture may be impaired.

Impairment exists when the carrying value of investment in a joint venture exceeds its recoverable amount, which is the higher of FVLCS and VIU.

FVLCS is based on available data from observable market prices less incremental costs for disposing of the asset. For biological assets, a valuation methodology based on a discounted cash flow ("DCF") model was used.

VIU is based on a DCF model which requires the Group and the Company to make an estimate of the expected future cash flows and to determine the appropriate discount rate to calculate the present value of those cash flows. Further details are disclosed in Note 17.

If the commencement of harvesting activities is further suspended by a year, the recoverable amount from the investment in a joint venture for the Group and the Company will be reduced by RM1,325,055. The carrying amount of the investment in a joint venture of the Group and of the Company at the reporting date is disclosed in Note 17.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Revenue and cost of sales

Revenue of the Group and of the Company represents the invoiced value of sales of crude palm oil, palm kernel and fresh fruit bunches. The cost of sales in relation to the invoiced value of sales of the Group and of the Company consists of cost of cultivation, raw materials, labour and overheads.

### 5. Dividend income

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| Dividend income from: | | | | |
| Available-for-sale investment securities | | | | |
| - Securities quoted in Malaysia | 481,041 | 461,232 | 481,041 | 461,232 |
| - Securities quoted outside Malaysia | 2,875,126 | 3,004,301 | 2,875,126 | 3,004,301 |
| | 3,356,167 | 3,465,533 | 3,356,167 | 3,465,533 |
| A subsidiary | - | - | - | 3,600,000 |
| | 3,356,167 | 3,465,533 | 3,356,167 | 7,065,533 |

### 6. Other income

| | Group and Company | |
|---|---|---|
| | 2017 | 2016 |
| | RM | RM |
| Gain on sale of property, plant and equipment | 298,914 | - |
| Net fair value gain on available-for-sale investment securities (transfer to profit or loss upon disposal) | 99,347 | 68,737 |
| Rental | 7,680 | 10,940 |
| Gain on foreign exchange | 2,774,844 | - |
| Miscellaneous | 646,056 | 905,929 |
| | 3,826,841 | 985,606 |

### 7. Profit before tax

The following items have been included in arriving at profit before tax:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| Auditors' remuneration | | | | |
| - statutory audit | | | | |
| - current financial year | 157,000 | 119,500 | 152,000 | 107,000 |
| - under provision in respect of previous financial years | - | 9,000 | - | 9,000 |
| - other services | 10,000 | 10,000 | 10,000 | 10,000 |
| Depreciation of property, plant and equipment (Note 13) | 3,404,371 | 3,513,011 | 3,404,371 | 3,513,011 |
| Property, plant and equipment written off | 39,518 | 122,800 | 39,518 | 122,800 |
| Provision for impairment loss on investment in a joint venture (Note 17) | 3,641,749 | - | 3,879,602 | 10,611,268 |
| Loss on foreign exchange | - | 214,091 | - | 214,901 |

## 8. Directors' remuneration

| | Group and Company 2017 RM | 2016 RM |
|---|---|---|
| Directors of the Company: | | |
| Executive directors: | | |
| Fees | 94,762 | 134,000 |
| Salaries | 794,182 | 1,092,000 |
| Commissions | 678,201 | 472,280 |
| Other emoluments | 1,404,000 | 57,200 |
| | 2,971,145 | 1,755,480 |
| Non-executive directors: | | |
| Fees | 304,608 | 299,528 |
| Other emoluments | 132,000 | 177,400 |
| | 436,608 | 476,928 |
| Total directors' remuneration | 3,407,753 | 2,232,408 |

The number of directors of the Company whose total remuneration during the financial year fall within the following bands are:

| | Group and Company Number of directors 2017 | 2016 |
|---|---|---|
| Executive directors: | | |
| RM150,001 – RM200,000 | 1 | - |
| RM350,001 – RM400,000 | - | 2 |
| RM400,001 – RM450,000 | - | 1 |
| RM500,001 – RM550,000 | 1 | - |
| RM550,001 – RM600,000 | - | 1 |
| RM600,001 – RM650,000 | 1 | - |
| RM1,600,001 – RM1,650,000 | 1 | - |
| | 4 | 4 |
| Non-executive directors: | | |
| RM50,000 and below | 3 | 1 |
| RM50,001 – RM100,000 | 5 | 6 |
| | 8 | 7 |
| | 12 | 11 |

## 9. Employee benefits expense

| | Group and Company 2017 RM | 2016 RM |
|---|---|---|
| Wages and salaries | 17,525,394 | 14,644,479 |
| Social security contributions | 74,515 | 69,043 |
| Employees Provident Fund | 615,175 | 718,741 |
| Other staff related expenses | 3,215,210 | 3,200,243 |
| | 21,430,294 | 18,632,506 |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,971,145 (2016: RM1,755,480) as further disclosed in Note 8.

## 10. Income tax expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| **Current income tax:** | | | | |
| Malaysian income tax | 11,705,239 | 4,995,680 | 11,700,502 | 4,982,111 |
| Under/(over) provision in respect of previous financial years | 2,583 | (310,616) | 2,388 | (310,616) |
| | 11,707,822 | 4,685,064 | 11,702,890 | 4,671,495 |
| **Deferred income tax (Note 26):** | | | | |
| Origination and reversal of temporary differences | 217,293 | 45,693 | 217,293 | 45,693 |
| Under/(over) provision in respect of previous financial years | 126,459 | (134,659) | 126,459 | (134,659) |
| | 343,752 | (88,966) | 343,752 | (88,966) |
| Income tax expense recognised in profit or loss | 12,051,574 | 4,596,098 | 12,046,642 | 4,582,529 |

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| Profit before tax, representing accounting profit before tax | 52,589,276 | 22,348,004 | 51,350,643 | 18,011,744 |
| Tax at Malaysian statutory rate of 24% (2016: 24%) | 12,621,426 | 5,363,521 | 12,324,154 | 4,322,819 |
| Adjustments: | | | | |
| Income not subject to tax | (1,686,030) | (1,010,711) | (1,686,030) | (1,874,711) |
| Non-deductible expenses | 1,224,380 | 34,067 | 1,279,671 | 2,579,696 |
| Share of results of associates and a joint venture | (237,244) | 654,496 | - | - |
| Under/(over) provision of deferred tax in respect of previous financial years | 126,459 | (134,659) | 126,459 | (134,659) |
| Under/(over) provision of income tax in respect of previous financial years | 2,583 | (310,616) | 2,388 | (310,616) |
| Income tax expense recognised in profit or loss | 12,051,574 | 4,596,098 | 12,046,642 | 4,582,529 |

## 11. Earnings per stock unit

Basic earnings per stock unit amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary stock units outstanding during the financial year.

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| Profit attributable to owners of the Company used in the computation of basic and diluted earnings per stock unit | 40,537,702 | 17,751,906 |

| | Number of ordinary stock units 2017 | Number of ordinary stock units 2016 |
|---|---|---|
| Weighted average number of ordinary stock units for basic and diluted earnings per stock unit computation | 91,363,250 | 91,363,250 |

| | Group 2017 | Group 2016 |
|---|---|---|
| Earnings per stock unit attributable to owners of the Company (sen per stock unit) | | |
| Basic | 44.37 | 19.43 |
| Diluted | 44.37 | 19.43 |

The respective profit attributable to owners of the Company used in the computation of basic and diluted earnings per stock unit and the weighted average number of ordinary stock units for basic and diluted earnings per stock unit is similar as there is no potential dilutive ordinary stock units outstanding as at end of the financial years.

## 12. Dividends

| | Group and Company | | | |
|---|---|---|---|---|
| | Amount | | Dividends per ordinary stock unit | |
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| First interim single tier dividend declared on 30 December 2016 and paid on 27 January 2017 | 8,222,693 | - | 9 | - |
| Second interim single tier dividend declared on 26 July 2017 and paid on 30 August 2017 | 9,136,325 | - | 10 | - |
| First interim single tier dividend declared on 4 January 2016 and paid on 29 January 2016 | - | 7,309,060 | - | 8 |
| Second interim single tier dividend declared on 28 July 2016 and paid on 30 August 2016 | - | 7,309,060 | - | 8 |
| | 17,359,018 | 14,618,120 | 19 | 16 |

13. **Property, plant and equipment**

| Group and Company | Freehold land RM | Leasehold land RM | Buildings RM | Motor vehicles RM | Office and estate equipment, and furniture and fittings RM | Plant and machinery RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **At cost/valuation:** | | | | | | | | |
| **At 1 September 2015** | 11,219,413 | 27,632,331 | 18,855,547 | 14,975,783 | 3,130,182 | 18,556,097 | 395,944 | 94,765,297 |
| Additions | - | - | 183,687 | 175,000 | 267,272 | 958,899 | 30,848 | 1,615,706 |
| Write off | - | - | - | (112,600) | (120,000) | - | - | (232,600) |
| Transfer | - | - | 106,313 | - | 289,631 | - | (395,944) | - |
| **At 31 August 2016** | 11,219,413 | 27,632,331 | 19,145,547 | 15,038,183 | 3,567,085 | 19,514,996 | 30,848 | 96,148,403 |
| **At 1 September 2016** | 11,219,413 | 27,632,331 | 19,145,547 | 15,038,183 | 3,567,085 | 19,514,996 | 30,848 | 96,148,403 |
| Additions | - | - | - | 1,285,242 | 83,569 | 600,250 | 2,339,301 | 4,308,362 |
| Disposal | - | - | - | (1,010,132) | - | - | - | (1,010,132) |
| Write off | - | - | - | (166,922) | (10,950) | (8,000) | - | (185,872) |
| **At 31 August 2017** | 11,219,413 | 27,632,331 | 19,145,547 | 15,146,371 | 3,639,704 | 20,107,246 | 2,370,149 | 99,260,761 |

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

| Group and Company | Freehold land RM | Leasehold land RM | Buildings RM | Motor vehicles RM | Office and estate equipment, and furniture and fittings RM | Plant and machinery RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation:** | | | | | | | | |
| **At 1 September 2015** | - | 7,609,248 | 14,154,926 | 8,292,322 | 1,781,574 | 15,347,750 | - | 47,185,820 |
| Charge for the year | - | 317,052 | 346,936 | 2,192,298 | 213,787 | 442,938 | - | 3,513,011 |
| Write off | - | - | - | (84,800) | (25,000) | - | - | (109,800) |
| **At 31 August 2016** | - | 7,926,300 | 14,501,862 | 10,399,820 | 1,970,361 | 15,790,688 | - | 50,589,031 |
| **At 1 September 2016** | - | 7,926,300 | 14,501,862 | 10,399,820 | 1,970,361 | 15,790,688 | - | 50,589,031 |
| Charge for the year | - | 317,052 | 328,770 | 2,001,780 | 233,536 | 523,233 | - | 3,404,371 |
| Disposal | - | - | - | (956,798) | - | - | - | (956,798) |
| Write off | - | - | - | (127,974) | (10,380) | (8,000) | - | (146,354) |
| **At 31 August 2017** | - | 8,243,352 | 14,830,632 | 11,316,828 | 2,193,517 | 16,305,921 | - | 52,890,250 |
| **Net carrying amount** | | | | | | | | |
| At 31 August 2016 | 11,219,413 | 19,706,031 | 4,643,685 | 4,638,363 | 1,596,724 | 3,724,308 | 30,848 | 45,559,372 |
| At 31 August 2017 | 11,219,413 | 19,388,979 | 4,314,915 | 3,829,543 | 1,446,187 | 3,801,325 | 2,370,149 | 46,370,511 |

## 13. Property, plant and equipment (cont'd.)

(a) Freehold and a parcel of leasehold land were revalued in Year 1983 based on valuations performed by accredited independent valuer. The valuations were determined by reference to open market value on existing use basis.

As permitted by the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment, freehold and a parcel of leasehold land continue to be stated at their 1983 valuation less accumulated depreciation. Had the revalued freehold and leasehold land been carried at cost less accumulated depreciation, the carrying amounts were as follows:-

| | Group and Company | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Freehold land | 7,201,144 | 7,201,144 |
| Leasehold land | 9,520,626 | 9,687,654 |

(b) Included in the above property, plant and equipment are fully depreciated assets of the Group and of the Company costing RM33,297,077 (2016: RM31,265,338) which are still in use.

## 14. Biological assets

| | Group and Company | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| **At cost/valuation:** | | |
| At 1 September | 76,738,562 | 76,324,523 |
| Additions | 214,102 | 414,039 |
| At 31 August | 76,952,664 | 76,738,562 |

Certain biological assets were revalued in Year 1983 based on valuation performed by accredited independent valuer. The valuations were determined by reference to open market value on existing use basis.

As permitted by the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment, these revalued biological assets continue to be stated at their 1983 valuation.

The carrying amounts of these revalued biological assets had these assets been carried at cost have not been disclosed as such information and records relating to the periods prior to the previous revaluation in Year 1983 are no longer available.

## 15. Investment in a subsidiary

| | Company | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Unquoted shares, at cost | 48,100,000 | 48,100,000 |

Details of the subsidiary which is incorporated in Malaysia are as follows:

| **Name of subsidiary** | **Proportion of ownership interest (%) 2017** | **2016** | **Principal activity** |
|---|---|---|---|
| Double Alliance Sdn. Bhd. | 100 | 100 | Investment holding |

## 16. Investments in associates

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Unquoted shares, at cost | 162,000,000 | 162,000,000 | 114,000,000 | 114,000,000 |
| Share of post acquisition reserves | 34,220,847 | 28,623,333 | - | - |
| | 196,220,847 | 190,623,333 | 114,000,000 | 114,000,000 |

Details of the associates which are incorporated in Malaysia are as follows:

| Names of associates | Proportion of ownership interest and voting power (%) 2017 | 2016 | Principal activities |
|---|---|---|---|
| Sin Thye Management Sdn Bhd # | 50 | 50 | Provision of management and advisory services and acting as an insurance agent |
| West Synergy Sdn Bhd @ | 40 | 40 | Property development and investment |
| Global Formation (M) Sdn Bhd #^ | 50 | 50 | Investment holding |

\# Financial year end of 31 December and audited by Ernst & Young, Malaysia

@ Financial year end of 30 June and audited by a firm of auditors other than Ernst & Young

^ Global Formation (M) Sdn Bhd holds 70% equity interest in PT Baratselatan Makmurinvestindo ("PTBM"), PT Lampung Interpertiwi ("PTLI") and PT Suksesmaju Abadi ("PTSA") which are incorporated in Indonesia. The principal activities of PTBM, PTLI and PTSA are the cultivation of oil palms, production and sale of fresh fruit bunches, crude palm oil and palm kernel.

Summarised financial information in respect of the associates of the Group are as below:

| | Global Formation (M) Sdn Bhd RM | West Synergy Sdn Bhd RM | Sin Thye Management Sdn Bhd RM | Total RM |
|---|---|---|---|---|
| **At 31 August 2017** | | | | |
| **(i) Summarised statements of financial position** | | | | |
| Current assets | 39,040,691 | 166,572,561 | 3,142,353 | 208,755,605 |
| Non-current assets | 260,081,494 | 36,596,054 | 2,341,510 | 299,019,058 |
| Current liabilities | 41,727,816 | 13,128,582 | 407,550 | 55,263,948 |
| Non-current liabilities | 1,031,583 | 1,864,127 | 20,458 | 2,916,168 |
| Net assets | 256,362,786 | 188,175,906 | 5,055,855 | 449,594,547 |
| **(ii) Summarised statements of comprehensive income** | | | | |
| Revenue | 86,578,579 | 37,251,805 | 6,614,333 | 130,444,717 |
| (Loss)/profit for the year | (2,266,350) | 7,189,256 | 487,366 | 5,410,272 |
| Other comprehensive income/(loss) | 7,225,724 | - | (3,116) | 7,222,608 |
| Group's share of (loss)/profit for the year | (1,133,175) | 2,875,702 | 243,683 | 1,986,210 |
| Group's share of other comprehensive income/(loss) | 3,612,862 | - | (1,558) | 3,611,304 |

## 16. Investments in associates (cont'd.)

| | Global Formation (M) Sdn Bhd RM | West Synergy Sdn Bhd RM | Sin Thye Management Sdn Bhd RM | Total RM |
|---|---|---|---|---|
| **At 31 August 2017 (cont'd.)** | | | | |
| **(iii) Reconciliation of net assets to carrying amount as at year end** | | | | |
| Group's share of net assets | 128,181,393 | 75,270,362 | 2,527,928 | 205,979,683 |
| Elimination of non-controlling interests | (9,758,836) | - | - | (9,758,836) |
| Group's carrying amount | 118,422,557 | 75,270,362 | 2,527,928 | 196,220,847 |
| **At 31 August 2016** | | | | |
| **(i) Summarised statements of financial position** | | | | |
| Current assets | 39,700,139 | 155,967,547 | 2,796,684 | 198,464,370 |
| Non-current assets | 251,929,706 | 36,889,593 | 2,413,870 | 291,233,169 |
| Current liabilities | 40,230,751 | 10,006,365 | 529,856 | 50,766,972 |
| Non-current liabilities | 1,121,051 | 1,864,127 | 109,093 | 3,094,271 |
| Net assets | 250,278,043 | 180,986,648 | 4,571,605 | 435,836,296 |
| **(ii) Summarised statements of comprehensive income** | | | | |
| Revenue | 62,198,698 | 58,827,486 | 6,920,166 | 127,946,350 |
| (Loss)/profit for the year | (9,412,639) | 6,608,403 | 471,063 | (2,333,173) |
| Other comprehensive income/(loss) | 1,000,641 | - | (7,634) | 993,007 |
| Group's share of (loss)/profit for the year | (4,706,320) | 2,643,361 | 235,532 | (1,827,427) |
| Group's share of other comprehensive income/(loss) | 500,231 | - | (3,817) | 496,504 |
| **(iii) Reconciliation of net assets to carrying amount as at year end** | | | | |
| Group's share of net assets | 125,139,022 | 72,394,659 | 2,285,803 | 199,819,484 |
| Elimination of non-controlling interests | (9,196,151) | - | - | (9,196,151) |
| Group's carrying amount | 115,942,871 | 72,394,659 | 2,285,803 | 190,623,333 |

## 17. Investment in a joint venture

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Unquoted shares, at cost | 27,585,200 | 27,585,200 | 27,585,200 | 27,585,200 |
| Share of post acquisition reserves | (10,849,121) | (10,343,744) | - | - |
| | 16,736,079 | 17,241,456 | 27,585,200 | 27,585,200 |
| Less: Impairment loss | (3,641,749) | - | (14,490,870) | (10,611,268) |
| | 13,094,330 | 17,241,456 | 13,094,330 | 16,973,932 |

Movement in provision for impairment loss:

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| At 1 September | - | - | 10,611,268 | - |
| Additions (Note 7) | 3,641,749 | - | 3,879,602 | 10,611,268 |
| At 31 August | 3,641,749 | - | 14,490,870 | 10,611,268 |

Details of the joint venture are as follows:

| Name of joint venture | Proportion of ownership interest and voting power (%) 2017 | Proportion of ownership interest and voting power (%) 2016 | Principal activity |
|---|---|---|---|
| Chin Thye Investment Pte Ltd ("Chin Thye") *^ | 40 | 40 | Investment holding |

* Incorporated in the Republic of Singapore with 31 December year end and audited by an affiliate of Ernst & Young

^ Chin Thye holds 70% equity interest in PT Lampung Karya Indah ("PTLKI") which is incorporated in Indonesia. The principal activities of PTLKI are the cultivation of oil palms, production and sale of fresh fruit bunches.

The Group's aggregate share of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses of the joint venture are as follows:

| | 2017 RM | 2016 RM |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | 6,930,414 | 6,588,255 |
| Non-current assets | 10,731,435 | 10,800,045 |
| Total assets | 17,661,849 | 17,388,300 |
| | | |
| Current liabilities | 803,400 | 58,112 |
| Non-current liabilities | 122,370 | 88,732 |
| Total liabilities | 925,770 | 146,844 |
| | | |
| **Results** | | |
| Other income | 129,410 | 37,163 |
| Expenses | (1,127,104) | (936,803) |
| Loss for the year | (997,694) | (899,640) |
| Other comprehensive income | 492,317 | 1,115,414 |

## 17. Investment in a joint venture (cont'd.)

Provision for impairment loss

The harvesting of mature palms of the joint venture engaged in the oil palm plantation has been suspended due to the unrest in villages neighbouring the estate. This has resulted in the continued losses incurred by Chin Thye. In view of this situation during the financial year, the Group and the Company have provided for impairment loss in its investment in Chin Thye and its subsidiary ("Chin Thye Group") amounting to RM3,641,749 (2016: RM Nil) and RM3,879,602 (2016: RM10,611,268) respectively.

The recoverable amount of RM13,094,330 was determined from VIU calculations, using cash flows projection at a discount rate of 15% (2016:15%).

The following factors are considered in estimating cash flows projection:

(a) Projected commencement date of harvesting activities;
(b) Estimated fresh fruit bunches price; and
(c) Estimated yield.

## 18. Investment securities

| | 2017 | | 2016 | |
|---|---|---|---|---|
| Group and Company | Carrying amount RM | Market value of quoted investments RM | Carrying amount RM | Market value of quoted investments RM |
| **Available-for-sale financial assets** | | | | |
| Securities quoted In Malaysia | 15,674,431 | 15,674,431 | 14,389,718 | 14,389,718 |
| Securities quoted outside Malaysia | 95,559,220 | 95,559,220 | 72,666,684 | 72,666,684 |
| Total quoted investment securities | 111,233,651 | 111,233,651 | 87,056,402 | 87,056,402 |
| Unquoted equity securities | 4,771,010 | - | 4,771,010 | - |
| Total investment securities | 116,004,661 | 111,233,651 | 91,827,412 | 87,056,402 |

The unquoted equity securities represents investment in a private company and there is no market price available for its shares.

## 19. Inventories

| | Group and Company 2017 RM | 2016 RM |
|---|---|---|
| **At cost:** | | |
| Oil palm produce | 1,671,739 | 906,068 |
| Estate stores | 1,849,203 | 1,961,738 |
| | 3,520,942 | 2,867,806 |

The amount of inventories of the Group and of the Company recognised as an expense during the financial year was RM72,169,208 (2016: RM64,557,530).

## 20. Receivables

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Third parties | 7,332,465 | 7,813,053 | 7,332,465 | 7,813,053 |
| A company in which certain directors and substantial shareholders have interests | - | 1,106,661 | - | 1,106,661 |
| | 7,332,465 | 8,919,714 | 7,332,465 | 8,919,714 |
| **Other receivables** | | | | |
| Deposits, prepayments and sundry receivables | 687,702 | 769,658 | 687,702 | 769,658 |
| Interest receivables | 2,974,689 | 1,928,644 | 2,974,033 | 1,927,529 |
| Dividend from a subsidiary | - | - | - | 3,600,000 |
| | 3,662,391 | 2,698,302 | 3,661,735 | 6,297,187 |
| Total trade and other receivables | 10,994,856 | 11,618,016 | 10,994,200 | 15,216,901 |
| Add: Cash and bank balances (Note 21) | 255,488,717 | 227,756,267 | 254,707,024 | 223,377,263 |
| Less: Prepayments | (436,281) | (436,489) | (436,281) | (436,489) |
| Total loans and receivables | 266,047,292 | 238,937,794 | 265,264,943 | 238,157,675 |

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30-day (2016: 30-day) terms. Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition.

The trade receivables of the Group and of the Company as at reporting date are neither past due nor impaired. These have not been renegotiated during the financial year.

These receivables are creditworthy customers with good payment records with the Group and the Company. The trade receivables of the Group and of the Company arise from customers with more than ten years of experience with the Group and the Company and losses have occurred infrequently.

### (b) Other receivables

The other receivables of the Group and of the Company as at reporting date are neither past due nor impaired.

Other information on financial risks of other receivables are disclosed in Note 31.

The carrying amounts of loan and receivables are reasonable approximation of fair value due to their short-term nature.

## 21. Cash and bank balances

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Cash on hand and at banks | 17,548,397 | 22,788,141 | 17,436,704 | 19,079,137 |
| Deposits with: | | | | |
| Licensed banks | 194,500,680 | 168,367,016 | 193,830,680 | 167,697,016 |
| Other financial institutions | 43,439,640 | 36,601,110 | 43,439,640 | 36,601,110 |
| | 237,940,320 | 204,968,126 | 237,270,320 | 204,298,126 |
| Cash and bank balances | 255,488,717 | 227,756,267 | 254,707,024 | 223,377,263 |

## 22. Cash and bank balances (cont'd.)

Deposits are made for varying periods of between 1 day and 365 days (2016: between 1 day and 365 days) depending on the immediate cash requirements of the Group and of the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 August 2017 for the Group and the Company was 3.30% (2016: 3.36%) per annum.

Included in deposits with licensed banks are deposits pledged to banks for bank guarantee facilities provided to the Group and the Company amounting to RM645,824 (2016: RM1,244,383). The deposits with other financial institutions relate to placements with foreign banks.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| Cash and bank balances | 255,488,717 | 227,756,267 | 254,707,024 | 223,377,263 |
| Less: Deposits with maturity of more than 3 months | (146,604,900) | (144,443,564) | (146,504,900) | (144,343,564) |
| Cash and cash equivalents | 108,883,817 | 83,312,703 | 108,202,124 | 79,033,699 |

## 22. Payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| **Trade payables** | | | | |
| Third parties | 4,572,192 | 3,287,535 | 4,572,192 | 3,287,535 |
| **Other payables** | | | | |
| Accruals and sundry payables | | | | |
| - Third parties | 6,767,946 | 4,983,319 | 6,762,646 | 4,980,669 |
| Provision | 1,316,800 | 1,505,246 | 1,316,800 | 1,505,246 |
| | 8,084,746 | 6,488,565 | 8,079,446 | 6,485,915 |
| **Total payables, representing total financial liabilities carried at amortised cost** | 12,656,938 | 9,776,100 | 12,651,638 | 9,773,450 |

### (a) Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90-day (2015: 30 to 90-day) terms.

### (b) Other payables

Other payables are non-interest bearing and are normally settled on an average term of three to six months (2016: average term of three to six months).

The carrying amount of these payables are reasonable approximation of fair value due to their short term nature.

## 23. Share capital and share premium

| | Group and Company | | |
|---|---|---|---|
| | Number of ordinary stock units | Share capital RM | Share premium RM |
| **Issued and fully paid:** | | | |
| At 1 September 2016 | 91,363,250 | 91,363,250 | 19,654,027 |
| Transition to no-par value regime | - | 19,654,027 | (19,654,027) |
| At 31 August 2017 | 91,363,250 | 111,017,277 | - |
| At 1 September 2015/31 August 2016 | 91,363,250 | 91,363,250 | 19,654,027 |

The holders of ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per stock unit at meetings of the Company. All ordinary stock units 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, abolised the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the share capital of the Company pursuant to the transitional provisions set out in Section 618(2) of the Act.

## 24. Other reserves

| Group | Asset revaluation reserve - land and biological assets RM | Foreign currency translation reserve RM | Fair value adjustment reserve RM | Employee benefits plan reserve of an associate and a joint venture RM | Total RM |
|---|---|---|---|---|---|
| **At 1 September 2016** | 15,725,929 | (25,821,110) | 23,430,400 | 270,049 | 13,605,268 |
| Revaluation reserve of leasehold land realised | (18,467) | - | - | - | (18,467) |
| **Other comprehensive income/(loss)** | | | | | |
| Foreign currency translation | - | 3,769,478 | - | - | 3,769,478 |
| Net gain on fair value changes of available-for-sale investment securities | - | - | 21,985,870 | - | 21,985,870 |
| - Transfer to profit or loss upon disposal | - | - | (99,347) | - | (99,347) |
| - Gain on fair value changes | - | - | 22,085,217 | - | 22,085,217 |
| Share of other comprehensive (loss)/income of an associate | - | - | (1,558) | 337,348 | 335,790 |
| Share of other comprehensive loss of a joint venture | - | - | - | (1,647) | (1,647) |
| **At 31 August 2017** | 15,707,462 | (22,051,632) | 45,414,712 | 605,750 | 39,676,292 |

## 24. Other reserves (cont'd.)

| Group | Asset revaluation reserve - land and biological assets RM | Foreign currency translation reserve RM | Fair value adjustment reserve RM | Employee benefits plan reserve of an associate and a joint venture RM | Total RM |
|---|---|---|---|---|---|
| **At 1 September 2015** | 15,744,396 | (27,597,189) | 26,185,756 | 430,394 | 14,763,357 |
| Revaluation reserve of leasehold land realised | (18,467) | - | - | - | (18,467) |
| **Other comprehensive income/(loss)** | | | | | |
| Foreign currency translation | - | 1,776,079 | - | - | 1,776,079 |
| Net loss on fair value changes of available-for-sale investment securities | - | - | (2,751,539) | - | (2,751,539) |
| - Transfer to profit or loss upon disposal | - | - | (68,737) | - | (68,737) |
| - Loss on fair value changes | - | - | (2,682,802) | - | (2,682,802) |
| Share of other comprehensive loss of an associate | - | - | (3,817) | (182,075) | (185,892) |
| Share of other comprehensive income of a joint venture | - | - | - | 21,730 | 21,730 |
| **At 31 August 2016** | 15,725,929 | (25,821,110) | 23,430,400 | 270,049 | 13,605,268 |

| Company | Asset revaluation reserve - land and biological assets RM | Fair value adjustment reserve RM | Total RM |
|---|---|---|---|
| **At 1 September 2016** | 15,725,929 | 23,401,070 | 39,126,999 |
| Revaluation reserve of leasehold land realised | (18,467) | - | (18,467) |
| **Other comprehensive income** | | | |
| Net gain on fair value changes of available-for-sale investment securities | | 21,985,870 | 21,985,870 |
| - Transfer to profit or loss upon disposal | - | (99,347) | (99,347) |
| - Gain on fair value changes | - | 22,085,217 | 22,085,217 |
| **At 31 August 2017** | 15,707,462 | 45,386,940 | 61,094,402 |
| | | | |
| **At 1 September 2015** | 15,744,396 | 26,152,609 | 41,897,005 |
| Revaluation reserve of leasehold land realised | (18,467) | - | (18,467) |
| **Other comprehensive loss** | | | |
| Net loss on fair value changes of available-for-sale investment securities | - | (2,751,539) | (2,751,539) |
| - Transfer to profit or loss upon disposal | - | (68,737) | (68,737) |
| - Loss on fair value changes | - | (2,682,802) | (2,682,802) |
| **At 31 August 2016** | 15,725,929 | 23,401,070 | 39,126,999 |

## 24. Other reserves (cont'd.)

### (a) Asset revaluation reserve - land and biological assets

The asset revaluation reserve - land and biological assets represents increases in the fair value of land and biological assets and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in statements of comprehensive income.

### (b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the presentation currency of the Group.

### (c) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes of available-for-sale investment securities until they are disposed of or impaired.

### (c) Employee benefits plan reserve of an associate and a joint venture

Employee benefits plan reserve of an associate and a joint venture represents the Group's share of the cumulative fair value changes in the pension related assets and liabilities of an associate and a joint venture.

## 25. Retained profits

The Company will be able to distribute dividends out of its entire retained profits under the single tier system.

## 26. Deferred tax liabilities

| | Group and Company | |
|---|---|---|
| | 2017 | 2016 |
| | RM | RM |
| At beginning of year | 7,178,226 | 7,267,192 |
| Recognised in profit or loss (Note 10) | 343,752 | (88,966) |
| At end of year | 7,521,978 | 7,178,226 |

Presented after appropriate offsetting as follows:

| | 2017 | 2016 |
|---|---|---|
| Deferred tax liabilities | 7,838,010 | 7,539,485 |
| Deferred tax asset | (316,032) | (361,259) |
| | 7,521,978 | 7,178,226 |

**26. Deferred tax liabilities (cont'd.)**

The components and movements of deferred tax liabilities and asset during the financial year prior to offsetting are as follows:

**Deferred tax liabilities**

| | Property, plant and equipment RM | Revaluation of land and biological assets RM | Total RM |
|---|---|---|---|
| **Group and Company** | | | |
| At 1 September 2015 | 1,463,733 | 6,169,080 | 7,632,813 |
| Recognised in profit or loss | (62,958) | (30,370) | (93,328) |
| At 31 August 2016 | 1,400,775 | 6,138,710 | 7,539,485 |
| At 1 September 2016 | 1,400,775 | 6,138,710 | 7,539,485 |
| Recognised in profit or loss | 328,896 | (30,371) | 298,525 |
| At 31 August 2017 | 1,729,671 | 6,108,339 | 7,838,010 |

**Deferred tax asset**

| | Provision RM |
|---|---|
| **Group and Company** | |
| At 1 September 2015 | (365,621) |
| Recognised in profit or loss | 4,362 |
| At 31 August 2016 | (361,259) |
| At 1 September 2016 | (361,259) |
| Recognised in profit or loss | 45,227 |
| At 31 August 2017 | (316,032) |

**27. Segment information**

The chief operating decision-maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocation of resources. The principal activities of the Group are the cultivation of oil palms and production and sale of fresh fruit bunches, crude palm oil and palm kernel and is wholly carried out in Malaysia.

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| Revenue from external customers | 148,646,432 | 112,140,239 |
| Depreciation of property, plant and equipment | 3,404,371 | 3,513,011 |
| Reportable segment profit | 41,139,969 | 15,371,476 |
| Reportable segment assets | 136,013,114 | 136,051,643 |
| Reportable segment liabilities | 12,656,938 | 9,776,100 |

Reportable segment profit is reconciled as follows:

| | 2017 RM | 2016 RM |
|---|---|---|
| Total profit for reportable segment | 41,139,969 | 15,371,476 |
| Share of results of associates | 1,986,210 | (1,827,427) |
| Share of results of a joint venture | (997,694) | (899,640) |
| Interest income | 7,556,353 | 6,468,557 |
| Dividend income | 3,356,167 | 3,465,533 |
| Other income | 3,329,463 | 106,396 |
| Other expenses | (3,781,192) | (336,891) |
| Profit before tax | 52,589,276 | 22,348,004 |

## 27. Segment information (cont'd.)

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| **Reportable segment assets are reconciled as follows:** | | |
| Total assets for reportable segment | 136,013,114 | 136,051,643 |
| Investments in associates | 196,220,847 | 190,623,333 |
| Investment in a joint venture | 13,094,330 | 17,241,456 |
| Investment securities | 116,004,661 | 91,827,412 |
| Unallocated assets | 257,314,576 | 228,488,380 |
| Total assets | 718,647,528 | 664,232,224 |
| **Reportable segment liabilities are reconciled as follows:** | | |
| Total liabilities for reportable segment | 12,656,938 | 9,776,100 |
| Income tax payable | 2,117,919 | 195,380 |
| Deferred tax liabilities | 7,521,978 | 7,178,226 |
| Total liabilities | 22,296,835 | 17,149,706 |

Revenue from eight (2016: eight) major customers amounted to RM119,409,256 (2016: RM99,331,867) representing 80% (2016: 78%) of total revenue.

## 28. Related party transactions

### (a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and related parties took place at terms agreed between the parties during the financial year:

| | Group and Company 2017 RM | Group and Company 2016 RM |
|---|---|---|
| An associate in which certain directors and substantial shareholders have interest: | | |
| - Management fee | 3,007,761 | 3,166,703 |
| Companies in which certain directors and substantial shareholders have interest: | | |
| - Marketing consultancy fee | 203,437 | 183,063 |
| - Seedlings cultivation cost | 128,116 | 38,400 |
| - Sale of oil palm produce | 1,279,431 | 2,872,192 |
| - Sale of pineapples suckers | - | 7,500 |
| - Sale of seedlings | 18,000 | - |
| - Purchase of oil palm produce | - | 3,231,482 |

## 28. Related party transactions (cont'd.)

### (b) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company directly and indirectly.

Total remuneration of key management personnel are as follows:

| | Group and Company | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Fees | 399,370 | 433,528 |
| Salaries | 1,125,942 | 1,092,000 |
| Commissions | 678,201 | 472,280 |
| Other emoluments | 1,582,108 | 234,600 |
| Total | 3,785,621 | 2,232,408 |

Included in the total key management personnel remuneration are Board of Directors' remuneration as detailed in Note 8.

## 29. Capital commitments

| | Group and Company | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| **Capital commitments:** | | |
| **Approved and contracted for:** | | |
| Property, plant and equipment | 658,240 | 789,920 |
| Capital and investment outlay in a joint venture | 22,815,210 | 22,815,210 |
| | 23,473,450 | 23,605,130 |
| **Approved but not contracted for:** | | |
| Property, plant and equipment | 12,473,520 | 12,806,500 |
| Total | 35,946,970 | 36,411,630 |

### 30. Fair value measurement

The following table provides the fair value measurement hierarchy of the assets of the Group and of the Company as at reporting date.

**Financial instruments**

The following table shows carrying amounts of financial assets measured at fair value including their levels in the fair value hierarchy.

| | Carrying amount | Fair value measurement using | | | |
|---|---|---|---|---|---|
| | Available-for-sale, representing total financial assets RM | Quoted prices in active markets (Level 1) RM | Significant observable input (Level 2) RM | Significant unobservable input (Level 3) RM | Total RM |
| **As at 31 August 2017** | | | | | |
| **Group and Company** | | | | | |
| **Financial assets measured at fair value** | | | | | |
| Investment securities (Note 18) | 111,233,651 | 111,233,651 | - | - | 111,233,651 |
| **As at 31 August 2016** | | | | | |
| **Group and Company** | | | | | |
| **Financial assets measured at fair value** | | | | | |
| Investment securities (Note 18) | 87,056,402 | 87,056,402 | - | - | 87,056,402 |

There have been no transfers between Level 1, Level 2 and Level 3 during the financial years.

## 31. Financial risk management objectives and policies

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

The overall financial risk management policy of the Group and of the Company is to ensure that adequate financial resources are available for the development of the businesses of the Group and of the Company whilst minimising the potential adverse impact arising from fluctuation in foreign exchange and interest rates and the unpredictability of the financial and commodity markets.

The Group and the Company operate within clearly defined guidelines that are approved by the Board of Directors and it does not engage in speculative transactions. Financial risk management is further enhanced by effective internal controls and adherence to the financial risk management policies.

The following sections provide details regarding the exposure of the Group and of the Company to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The exposure of the Group and of the Company to credit risk arises primarily from trade and other receivables and other financial assets such as cash and bank balances.

The objective of the Group and of the Company is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade and have dealings only with recognised and creditworthy third parties. It is the policy of the Group and of the Company that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the exposure of the Group and of the Company to bad debts is not significant. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk

At the reporting date, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

At the reporting date, the Group and the Company do not have any significant exposure to any individual customer or counterparty nor do they have any major concentration of credit risks related to any financial assets other than an amount of RM4,756,247 (2016: RM5,595,232) due from four (2016: five) customers representing approximately 64.87% (2016: 62.73%) of the trade receivables of the Group and of the Company which were subsequently received in September 2017 (2016: September 2016).

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with licensed banks and other financial institutions, all of which are neither past due nor impaired, are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

### (b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The exposure of the Group and of the Company to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The objective of the Group and of the Company is to maintain sufficient levels of cash including fixed deposits to meet its working capital requirements.

## 31. Financial risk management objectives and policies (cont'd.)

### (b) Liquidity risk (cont'd.)

At the reporting date, the Group and the Company do not have any borrowing (including overdrafts) from financial institutions. The maturity profile of the liabilities of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations are on demand or within one year.

### (c) Interest rate risk

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

The exposure of the Group and of the Company to interest rate risk arises primarily from their deposits with financial institutions.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the profit net of tax of the Group and of the Company would have been RM478,151 and RM476,877 (2016: RM411,401 and RM410,128) respectively lower/higher, arising mainly as a result of lower/higher interest income from deposits with financial institutions. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The business of the Group is predominantly located in Malaysia. The functional currency in foreign bank balances, unquoted investments outside Malaysia and quoted investments outside Malaysia are predominantly denominated in Singapore Dollar ("SGD"), which give rise to conversion exposure. The foreign currency exposures are not hedged.

The unhedged financial assets of the Group that are not denominated in Ringgit Malaysia are as follows:

| | Cash and bank balances RM | Investment securities RM | Total RM |
|---|---|---|---|
| Singapore Dollar | | | |
| At 31 August 2017 | 51,579,218 | 100,330,230 | 151,909,448 |
| At 31 August 2016 | 48,191,994 | 77,437,694 | 125,629,688 |

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the other reserves and profit net of tax of the Group and of the Company to a reasonably possible change in the SGD exchange rate against the functional currency of the Group and of the Company, with all other variables held constant.

| | *Other reserves* | | *Profit net of tax* | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| SGD/RM | | | | |
| - strengthened 1% (2016: 1%) | 955,592 | 726,667 | 515,792 | 481,920 |
| - weakened 1% (2016: 1%) | (955,592) | (726,667) | (515,792) | (481,920) |

**31. Financial risk management objectives and policies (cont'd.)**

**(e) Market price risk**

Market price risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company will fluctuate because of changes in market prices (other than interest or exchange rates).

**(i) Securities price risk**

The Group and the Company are exposed to securities price risk from its investment in quoted securities classified as available-for-sale financial assets. These securities are listed mainly on the Bursa Malaysia Securities Berhad and Singapore Exchange Limited.

The objective of the Group and of the Company is to manage investment returns and the price risk by investing in investment grade securities with steady dividend yield.

Sensitivity analysis for security price risk

At the reporting date, if the market prices for available-for-sale investment securities had been 1% higher/lower, with all other variables being held constant, the other reserves of the Group and of the Company in equity would have been RM1,112,337 (2016: RM870,564) higher/lower, arising as a result of an increase/decrease in the fair value of quoted securities classified as available-for-sale.

**(ii) Commodity price risk**

The Group and the Company are exposed to price volatility arising from fluctuation in the prices of fresh fruit bunches ("FFB"), crude palm oil ("CPO") and palm kernel ("PK") in the commodity market.

The Group and the Company manage and mitigate price volatility by monitoring the fluctuation of FFB, CPO and PK prices daily and enter into physical forward selling commodity contracts.

Sensitivity analysis for commodity price risk

The following table demonstrates the sensitivity of the profit net of tax of the Group and of the Company to a reasonably possible change in prices of FFB, CPO and PK at the reporting date, with all other variables held constant.

| | Group and Company | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Increase/(decrease) in profit net of tax | | |
| - FFB price 5% higher | 663,219 | 420,221 |
| - FFB price 5% lower | (663,219) | (420,221) |
| - CPO price 5% higher | 3,897,107 | 3,158,187 |
| - CPO price 5% lower | (3,897,107) | (3,158,187) |
| - PK price 5% higher | 1,000,434 | 683,108 |
| - PK price 5% lower | (1,000,434) | (683,108) |

The Group and the Company do not enter into commodity future contracts.

## 32. Capital management

The objectives of the Group and of the Company in managing their capital are to ensure that they maintain a strong and healthy capital to enable the Group and the Company to continue as a going concern in order to provide returns for shareholders and to maintain a debt free capital structure.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group and the Company did not have any borrowing for the years ended 31 August 2017 and 31 August 2016. The Group and the Company monitor capital using dividend payout ratio, which is amount of dividends paid divided by profit net of tax attributable to owners of the Company.

The strategy of the Group and of the Company in 2017, which were unchanged from 2016, are to maintain a debt free capital structure and to pay steady amount of dividends to shareholders.

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Amount of dividends paid | 17,359,018 | 14,618,120 | 17,359,018 | 14,618,120 |
| Profit net of tax attributable to owners of the Company | 40,537,702 | 17,751,906 | 39,304,001 | 13,429,215 |
| Dividend payout ratio | 42.82% | 82.35% | 44.17% | 108.85% |

## SUPPLEMENTARY INFORMATION

### 33. Supplementary information - Breakdown of retained earnings into realised and unrealised

The breakdown of the retained profits as at 31 August 2017 and 31 August 2016 into realised and unrealised profits or losses are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | RM | RM | RM | RM |
| Total retained profits/(accumulated losses) of the Company and its subsidiary | | | | |
| Realised | 480,635,096 | 471,202,400 | 479,955,463 | 470,530,100 |
| Unrealised | 9,383,071 | (3,155,015) | 9,383,072 | (3,155,015) |
| | 490,018,167 | 468,047,385 | 489,338,535 | 467,375,085 |
| Total shares of retained profits from associates | | | | |
| Realised | 56,540,006 | 58,049,844 | - | - |
| Unrealised | 186,400 | 290,352 | - | - |
| Total shares of (accumulated losses)/retained profits from a joint venture | | | | |
| Realised | (12,039,318) | (11,037,300) | - | - |
| Unrealised | 102,748 | 98,424 | - | - |
| | 534,808,003 | 515,448,705 | 489,338,535 | 467,375,085 |
| Add: Consolidation adjustments | 10,849,121 | 7,011,268 | - | - |
| Total retained profits as per financial statements | 545,657,124 | 522,459,973 | 489,338,535 | 467,375,085 |

The disclosure of realised and unrealised profits or losses above has been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

## SHAREHOLDINGS STATISTICS AS AT 30 NOVEMBER 2017

**Share capital**

Issued and fully paid : RM111,017,277
No. of ordinary stock units : 91,363,250
Class of stock units : Ordinary stock units
Voting rights : One vote per stock unit
No. of shareholders : 2,120

**Distribution schedule**

| No. of Holders | % | Holdings | Total Holdings | % |
|---|---|---|---|---|
| 152 | 7.17 | Less than 100 | 1,999 | * |
| 518 | 24.43 | 100 to 1,000 | 397,525 | 0.44 |
| 1,115 | 52.60 | 1,001 to 10,000 | 3,824,269 | 4.19 |
| 267 | 12.59 | 10,001 to 100,000 | 8,062,793 | 8.82 |
| 67 | 3.16 | 100,001 to less than 5% of the issued shares | 45,569,946 | 49.88 |
| 1 | 0.05 | 5% and above of the issued shares | 33,506,718 | 36.67 |
| 2,120 | 100.00 | | 91,363,250 | 100.00 |

* Less than 0.01%

**Interests of directors in the stock units of the Company**

| | <---------Direct interest---------> | | <-------Indirect interest---------> | |
|---|---|---|---|---|
| Name of Directors | No. of Stock Units | % | No. of Stock Units | % |
| Goh Wei Lei | - | - | - | - |
| Goh Pock Ai | 500,000 | 0.55 | - | - |
| Sio Sit Po | 851,376 | 0.93 | 1,293,750 | 1.42 |
| Keong Choon Keat | - | - | - | - |
| Gho Lian Chin | - | - | 33,562,968 | 36.74 |
| Goh Yeok Beng | 24,000 | 0.03 | - | - |
| Gho Eng Liong | 797,625 | 0.87 | - | - |
| Goh Chih Yuan (Wu Zhiyuan) | - | - | - | - |
| Datuk Matthew Tee Kai Woon | - | - | - | - |
| Gho Bun Tjin | - | - | - | - |

**Interests of directors in shares of subsidiary, Double Alliance Sdn Bhd**

| | <-----------Direct interest-----------> | | <---------Indirect interest-----------> | |
|---|---|---|---|---|
| Name of Directors | No. of Ordinary Shares | % | No. of Ordinary Shares | % |
| Goh Wei Lei | - | - | - | - |
| Goh Pock Ai | - | - | - | - |
| Sio Sit Po | - | - | - | - |
| Keong Choon Keat | - | - | - | - |
| Gho Lian Chin | - | - | 100,000 | 100.00 |
| Goh Yeok Beng | - | - | - | - |
| Gho Eng Liong | - | - | - | - |
| Goh Chih Yuan (Wu Zhiyuan) | - | - | - | - |
| Datuk Matthew Tee Kai Woon | - | - | - | - |
| Gho Bun Tjin | - | - | - | - |

## SHAREHOLDINGS STATISTICS AS AT 30 NOVEMBER 2017

### Substantial shareholders (excluding bare trustees) as shown in the register of substantial shareholders

| Name of Substantial Shareholders | <----------Direct interest-----------> No. of Stock Units | % | <---------Indirect interest-----------> No. of Stock Units | % |
|---|---|---|---|---|
| Tiong Thye Company Sdn Bhd | 33,506,718 | 36.67 | - | - |
| Goh Eng Chew | - | - | 34,020,968 | 37.24 |
| Gho Lian Chin | - | - | 33,562,968 | 36.74 |
| Tai Chuan Company (Private) Limited | - | - | 33,506,718 | 36.67 |
| Gan Teng Siew Realty Sdn Berhad | 4,227,500 | 4.63 | 3,637,900 | 3.98 |
| Key Development Sdn Berhad | 1,431,200 | 1.57 | 6,434,200 | 7.04 |
| Gemas Bahru Estates Sdn Bhd | 952,000 | 1.04 | 6,913,400 | 7.57 |
| Chinchoo Investment Sdn Berhad | 554,000 | 0.61 | 7,311,400 | 8.00 |
| Bidor Tahan Estates Sdn Bhd | 206,000 | 0.23 | 7,659,400 | 8.38 |
| Mikdavid Sdn Bhd | 135,600 | 0.15 | 7,729,800 | 8.46 |
| Malayan Jobbers Sdn Berhad | 102,600 | 0.11 | 7,762,800 | 8.50 |
| Rengo Malay Estate Sendirian Berhad | 91,500 | 0.10 | 7,773,900 | 8.51 |
| Gan Boon Koo | - | - | 7,865,400 | 8.61 |
| Chin Kah Khen | - | - | 7,865,400 | 8.61 |
| Gan Tee Kian | - | - | 7,865,400 | 8.61 |
| Gan Tee Jin | - | - | 7,865,400 | 8.61 |

### List of 30 largest securities account holders

| | Name | No. of stock units | % |
|---|---|---|---|
| 1. | Tiong Thye Company Sdn Bhd | 33,506,718 | 36.67 |
| 2. | Gan Teng Siew Realty Sdn Berhad | 4,227,500 | 4.63 |
| 3. | RHB Nominees (Asing) Sdn Bhd<br>Exempt An for RHB Securities Singapore Pte Ltd (A/C CLIENTS) | 4,087,217 | 4.47 |
| 4. | UOB Kay Hian Nominees (Asing) Sdn Bhd<br>Exempt An for UOB Kay Hian Pte Ltd (A/C CLIENTS) | 3,322,829 | 3.64 |
| 5. | Gan Puay Chee Sendirian Berhad | 3,195,000 | 3.50 |
| 6. | Shing Loong Sdn Berhad | 2,951,905 | 3.23 |
| 7. | Citigroup Nominees (Tempatan) Sdn Bhd<br>UBS AG Hong Kong for Keck Seng (Malaysia) Berhad | 2,784,375 | 3.05 |
| 8. | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt An for OCBC Securities Private Limited (CLIENT A/C – NR) | 2,239,686 | 2.45 |
| 9. | Gan Seng Lian Sendirian Berhad | 1,929,950 | 2.11 |
| 10. | Key Development Sdn Berhad | 1,417,700 | 1.55 |
| 11. | Chew Huaipin Sdn Bhd | 1,244,100 | 1.36 |
| 12. | Maybank Securities Nominees (Asing) Sdn Bhd<br>Pledged securities account for Nanyang Gum Benjamin Manufacturing (Pte) Ltd | 1,127,625 | 1.23 |
| 13. | Gan Kim Toon Sdn Bhd | 1,040,625 | 1.14 |
| 14. | Wong Aun Phui | 1,030,250 | 1.13 |
| 15. | Gemas Bahru Estates Sdn Bhd | 932,000 | 1.02 |
| 16. | Maybank Securities Nominees (Asing) Sdn Bhd<br>Maybank Kim Eng Securities Pte Ltd for Sio Sit Po | 851,376 | 0.93 |
| 17. | RHB Nominees (Tempatan) Sdn Bhd<br>Exempt An for RHB Securities Singapore Pte Ltd (A/C CLIENTS) | 797,625 | 0.87 |
| 18. | Chin Leong Huat Sdn Bhd | 722,125 | 0.79 |
| 19. | Chinchoo Investment Sdn Berhad | 548,000 | 0.60 |
| 20. | Seah Mok Khoon | 540,000 | 0.59 |
| 21. | Goh Pock Ai | 500,000 | 0.55 |
| 22. | Lim Kian Peng | 436,219 | 0.48 |
| 23. | Ang Tien Cheng & Sons Sdn Bhd | 408,000 | 0.44 |
| 24. | Gan Kim Hoe Sdn Bhd | 381,000 | 0.42 |
| 25. | Teh Wei Siong | 353,000 | 0.39 |
| 26. | Lok Choon Hong | 346,500 | 0.38 |
| 27. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB Bank for Teh Wao Kheng (PBCL-0G0168) | 346,471 | 0.38 |
| 27. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt An for Bank Julius Baer & Co. Ltd (Singapore BCH) | 346,000 | 0.38 |
| 29. | Thye Heng (How Kee) Company Sdn Bhd | 331,070 | 0.36 |
| 30. | Teo Kock Sei | 310,000 | 0.34 |
| | | 72,254,866 | 79.08 |

## LIST OF PROPERTIES AS AT 31 AUGUST 2017

| Location | Tenure | Size | Description | Net book value as at 31 August 2017 |
|---|---|---|---|---|
| | | Hectares | | RM'000 |
| Jemima & Sungei Sendayan Estate*b<br><br>Lot 1899, 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1006 and 1125 Mukim of Port Dickson, Lot 5923, 5925, 490, 3058, 3059, 5933, 5934, 5926, 5924, 6052, 8297, and 8298 Mukim of Jimah, Daerah Port Dickson<br>Negeri Sembilan | Freehold | 1,618 | Oil palm estate | 22,019*a |
| Gua Musang Estate*b<br><br>Lot 154<br>Mukim of Ketil<br>Daerah Gua Musang<br>Kelantan Darul Naim | Freehold | 1,618 | Oil palm estate with mill (Approximate age of mill: 46 years) | 21,548*a |
| Keratong Estate | | | Oil palm estate with two mills (Approximate age of mills: 21 and 37 years respectively) | 68,309*a |
| Lot 311*b<br>Mukim of Keratong<br>Daerah Rompin<br>Pahang Darul Makmur | Leasehold (expires on 18.04.2075) | 4,044 | | |
| Lot 25400*c<br>Mukim of Keratong<br>Daerah Rompin<br>Pahang Darul Makmur | Leasehold (expires on 17.07.2094) | 527 | | |
| Lot 25399*d<br>Mukim of Keratong<br>Daerah Rompin<br>Pahang Darul Makmur | Leasehold (expires on 01.10.2056 with an option to extend for 33 years) | 3,520 | | |
| | | | | 111,876 |

## LIST OF PROPERTIES AS AT 31 AUGUST 2017

(a) Net book value as at 31 August 2017 are as follows: -

| | <---------------------- Cost/Valuation | ------------------------> | |
|---|---|---|---|
| | Estates (Land and biological assets) | Buildings | Total |
| | RM'000 | RM'000 | RM'000 |
| Jemima & Sungei Sendayan Estate | 21,666 | 353 | 22,019 |
| Gua Musang Estate | 18,777 | 2,771 | 21,548 |
| Keratong Estate | 67,118 | 1,191 | 68,309 |
| | 107,561 | 4,315 | 111,876 |

(b) The estates have not been revalued since their revaluation in 1983. The directors have not adopted a policy of regular revaluations of such estates. As permitted by the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment, these assets continue to be stated at their 1983 valuation less accumulated depreciation.

(c) Date of acquisition: 17 July 1995

(d) Date of acquisition: 1 October 1990

(a) Material Contracts

Material contracts entered into by the Company and its subsidiary which involved the directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 August 2017 or entered into since the end of the previous financial year:-

Related party transactions of a revenue or trading nature with related parties entered into by the Company during the financial year ended 31 August 2017: -

| | RM |
|---|---|
| Management fees paid to Sin Thye Management Sdn. Bhd., an associate in which the substantial shareholders (Tiong Thye Company Sdn Bhd, Tai Chuan Company (Private) Limited, Goh Eng Chew and Gho Lian Chin) and several directors (Goh Wei Lei, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Chih Yuan (Wu Zhiyuan) and Gho Bun Tjin) have interests. | 3,007,761 |
| Marketing consultancy fee paid to Tat Lee Commodities Pte. Ltd., a company incorporated in the Republic of Singapore, in which the substantial shareholders (Goh Eng Chew and Gho Lian Chin) and several directors (Goh Wei Lei, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Chih Yuan (Wu Zhiyuan) and Gho Bun Tjin) have interests. | 203,437 |
| Transactions with Seong Thye Plantations Sdn Bhd, a company in which the substantial shareholders (Tiong Thye Company Sdn Bhd, Tai Chuan Company (Private) Limited, Goh Eng Chew and Gho Lian Chin) and several directors (Goh Wei Lei, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Chih Yuan (Wu Zhiyuan) and Gho Bun Tjin) have interests:- | |
| (i) Seedlings cultivation cost | 128,116 |
| (ii) Sale of oil palm produce | 855,950 |
| Sale of oil palm produce to Eng Thye Plantations Berhad, a company in which the substantial shareholders (Tiong Thye Company Sdn Bhd, Tai Chuan Company (Private) Limited, Goh Eng Chew and Gho Lian Chin) and several directors (Goh Wei Lei, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Chih Yuan (Wu Zhiyuan) and Gho Bun Tjin) have interests:- | 228,278 |
| Transactions with Timor Oil Palm Plantation Berhad, a company in which the substantial shareholders (Tiong Thye Company Sdn Bhd, Tai Chuan Company (Private) Limited, Goh Eng Chew and Gho Lian Chin) and several directors (Goh Wei Lei, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Chih Yuan (Wu Zhiyuan) and Gho Bun Tjin) have interests | |
| (i) Sale of oil palm produce | 195,203 |
| (ii) Sale of seedlings | 18,000 |

(b) Sanctions and /or penalties

No sanctions and/or penalties were imposed on the Company and its subsidiary, Directors or management by relevant authorities during the financial year.

(c) Non-audit fees

During the financial year ended 31 August 2017, non-audit fees paid or payable to Ernst & Young amounted to RM10,000 in respect of the review of the Statement on Risk Management and Internal Control.

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**CHIN TECK PLANTATIONS BERHAD (3250V)**
**(Incorporated in Malaysia)**

## FORM OF PROXY

I / We ..........................................................................................................................................

of ...............................................................................................................................................

being a member of CHIN TECK PLANTATIONS BERHAD hereby appoint ........................................................

......................................................................................................................................................

of ...............................................................................................................................................

or failing him / her .........................................................................................................................

of ...............................................................................................................................................

as my / our proxy to attend and vote on my / our behalf at the Fifty Ninth Annual General Meeting of the Company to be held at the Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Tuesday, 30 January 2018 at 10.30 am and at any adjournment thereof.

| Resolutions | | For | Against |
|---|---|---|---|
| 1. | To approve the payment of directors' fees and benefits for up to an aggregate amount of RM734,000 for the period from 31 January 2017 until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to divide such fees and benefits in the proportions and manner to be determined by them. | | |
| | To re-elect the following directors retiring under Article 94 of the Constitution of the Company: - | | |
| 2. | Sio Sit Po | | |
| 3. | Goh Wei Lei | | |
| | To re-elect the following directors retiring under Article 97 of the Constitution of the Company: - | | |
| 4. | Goh Chih Yuan (Wu Zhiyuan) | | |
| 5. | Datuk Matthew Tee Kai Woon | | |
| | To re-appoint the following directors: - | | |
| 6. | Goh Pock Ai | | |
| 7. | Keong Choon Keat | | |
| 8. | To re-appoint auditors and authorise the directors to fix their remuneration. | | |
| | To retain the following directors as Independent Non-Executive Directors: - | | |
| 9. | Sio Sit Po | | |
| 10. | Keong Choon Keat | | |

(Please indicate with "X" or "√" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion)

______________________________
Signature(s)
Date:

| | |
|---|---|
| No. of stock units held | |
| CDS NO. | |

**NOTES:**

1. 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 Record of Depositors as at 23 January 2018 issued by Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") upon request by the Company in accordance with the rules of the Bursa Depository.
2. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
3. If the member is a corporation, the Form of Proxy must be executed under its common seal or under the hand of a person duly authorised in writing.
4. The Form of Proxy must be deposited at the Registered Office, Suite 2B-3A-2, Block 2B. Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 24 hours before the time fixed for the Meeting or any adjournment thereof.
5. All resolutions will be put to vote by poll

Fold this flap for sealing

Then fold here

AFFIX
POSTAGE
STAMP

CHIN TECK PLANTATIONS BERHAD
Suite 2B-3A-2
Block 2B Level 3A
Plaza Sentral
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

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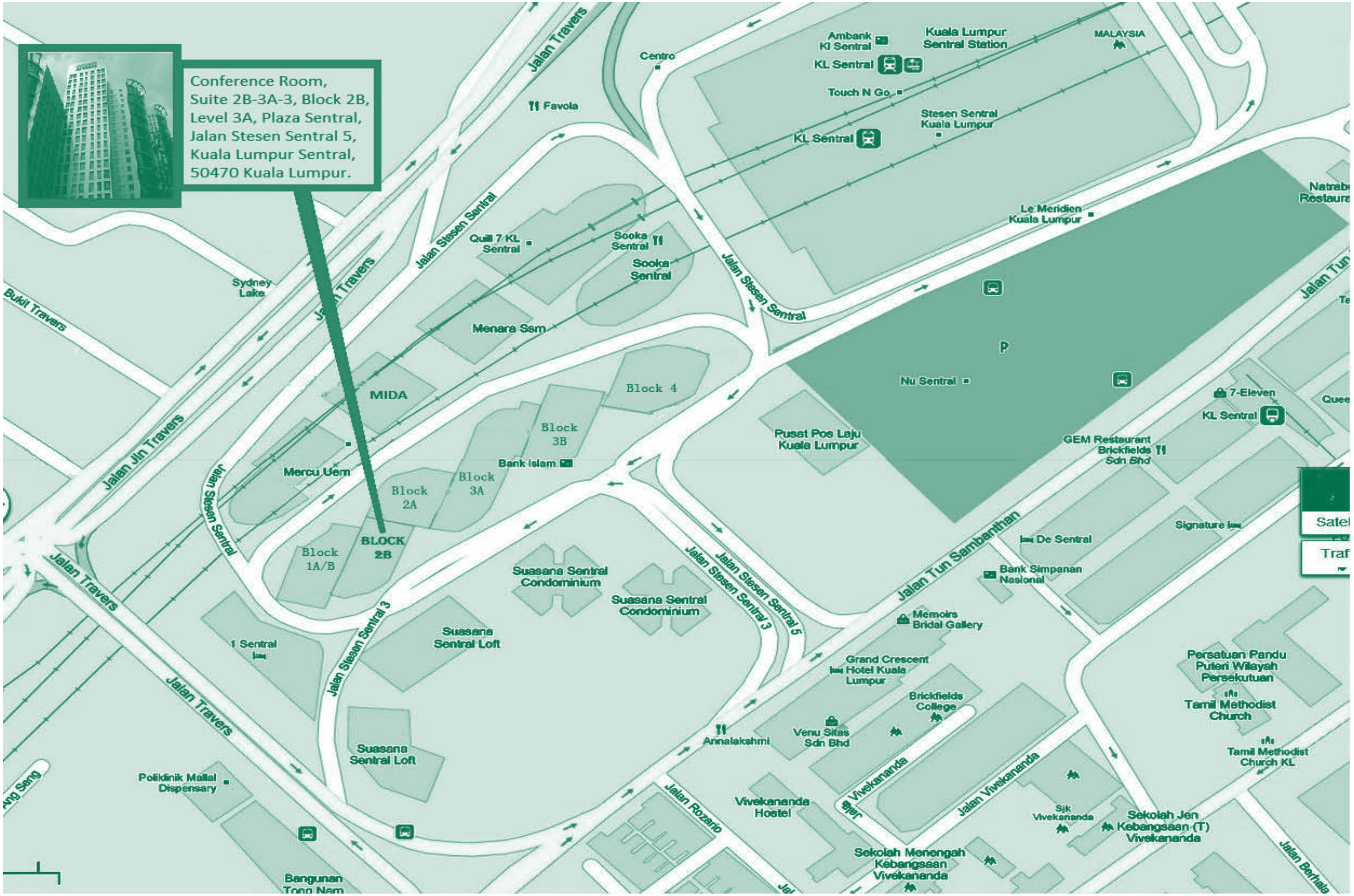

Conference Room,
Suite 2B-3A-3, Block 2B,
Level 3A, Plaza Sentral,
Jalan Stesen Sentral 5,
Kuala Lumpur Sentral,
50470 Kuala Lumpur.
Kuala Lumpur Sentral Station
Ambank Kl Sentral
KL Sentral
Touch N Go
Stesen Sentral Kuala Lumpur
Le Meridien Kuala Lumpur
Nu Sentral
Pusat Pos Laju Kuala Lumpur
GEM Restaurant Brickfields Sdn Bhd
7-Eleven
Signature
De Sentral
Bank Simpanan Nasional
Jalan Tun Sambanthan
Jalan Stesen Sentral
Jalan Stesen Sentral 5
Jalan Stesen Sentral 3
Sooka Sentral
Quill 7 KL Sentral
Menara Ssm
MIDA
Mercu Uem
Block 4
Block 3B
Block 3A
Block 2A
BLOCK 2B
Block 1A/B
Bank Islam
Suasana Sentral Condominium
Suasana Sentral Loft
1 Sentral
Jalan Travers
Jalan Jin Travers
Bukit Travers
Sydney Lake
Favola
Centro
Memoirs Bridal Gallery
Grand Crescent Hotel Kuala Lumpur
Brickfields College
Venu Sitas Sdn Bhd
Annalakshmi
Vivekananda Hostel
Jalan Rozario
Jalan Vivekananda
Sekolah Menengah Kebangsaan Vivekananda
Sjk Vivekananda
Sekolah Jen Kebangsaan (T) Vivekananda
Persatuan Pandu Puteri Wilayah Persekutuan
Tamil Methodist Church
Tamil Methodist Church KL
Poliklinik Mallal Dispensary
MALAYSIA

# CHIN TECK
## PLANTATIONS BERHAD

(Company No. 3250-V)
(Incorporated in Malaysia)

ANNUAL REPORT 2017