

***KHB* KRETAM HOLDINGS BERHAD**

(Company No : 168285-H)

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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the TWENTY-SEVENTH ANNUAL GENERAL MEETING of the Company will be held at the Registered Office of the Company at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah on Monday, 22 June 2015 at 11.00 a.m. to transact the following businesses:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2014 and the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To re-elect the following Directors retiring by rotation in accordance with Article 80 of the Company's Articles of Association:
 - (a) Mr Tan Kung Ming **Ordinary Resolution 2**
 - (b) Ms Teo Gim Suan **Ordinary Resolution 3**
3. To approve Directors' fees of RM70,000.00 for the year ended 31 December 2014. **Ordinary Resolution 4**
4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business, to consider and if thought fit, to pass the following Resolutions:

5. Authority For Directors To Issue And Allot Shares Pursuant To Section 132D Of The Companies Act, 1965

"THAT subject always to the Companies Act, 1965 ("Act"), the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to section 132D of the Act, to issue shares in the Company from time to time to such parties and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company at the time of the passing of this resolution, that the Directors be and are also empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing of and quotation for additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company". **Ordinary Resolution 6**
6. Proposed Renewal Of the Existing Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

"THAT subject to compliance with all applicable laws, regulations and guidelines, a mandate be and is hereby given to the Company and its subsidiaries to enter into recurrent transactions of a revenue or trading nature with related parties which are necessary for the day to day operations and not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in the Circular to Shareholders despatched together with the Annual Report and that authority conferred by this resolution shall commence immediately upon the passing of this resolution;

AND THAT such mandate shall continue in force until:-

 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at that meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act, (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in an AGM or Extraordinary General Meeting;

whichever is the earlier

AND THAT the breakdown of the aggregate value of the recurrent related party transactions made during the financial year will be disclosed in the Company's Annual Report based on the following information:-

- (a) the type of the recurrent related party transactions made; and
- (b) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.”

Ordinary Resolution 7

7. To transact any other business of the Company of which due notice has been given to the Company.

By Order of the Board

Liu Yee Ling @ Annie Liu (LS0001146)

Secretary

Sandakan

29 May 2015

Notes:

- a) *A depositor whose name appears in the Record of Depositors as at 16 June 2015 (General Meeting Record of Depositors) shall be regarded as a member entitled to attend, speak and vote at this 27th AGM of the Company or appoint a proxy to attend, speak and vote in his/her stead.*
- b) *A proxy or an attorney need not be a member of the Company and Section 149(1)(b) of the Act shall not apply to the Company.*
- c) *The form of proxy or power of attorney if executed by a corporation must be executed under common seal.*
- d) *The instrument appointing a proxy or a power of attorney must be deposited at the Registered Office of the Company at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah not less than 48 hours before the time set for the meeting or any adjournment thereof.*
- e) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- f) *The proposed Ordinary Resolution 6, if passed, will empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. This mandate is a renewal of the last mandate granted to the Directors at the 26th AGM held on 25 June 2014 and, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM.*

As at the date of this notice, no new shares in the Company were issued pursuant to the last mandate.

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

- g) *The proposed Ordinary Resolution 7, if passed, will enable the Company and/or its subsidiary companies to enter into recurrent related party transactions which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business on terms not more favourable than those generally available to the public and are not detrimental to the minority shareholders of the Company.*

Further information on the Proposed Renewal of the Existing Shareholders' Mandate For Recurrent Related Party Transactions is set out in the Circular to Shareholders which is despatched together with the Company's 2014 Annual Report.

Statement Accompanying Notice Of Annual General Meeting

*Pursuant To Paragraph 8.27(2) Of The Listing Requirements Of Bursa Malaysia
Securities Berhad*

There is no person standing for election as Director of the Company at this Annual General Meeting.

Corporate Information

BOARD OF DIRECTORS

- **Y. Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir**
Executive Chairman
- **Datuk Lim Nyuk Sang @ Freddy Lim**
Chief Executive Officer / Executive Director
- **Wong Len Kee**
Executive Director
- **Lee Hock Leang**
Executive Director
- **Wong Chin Kwong**
Independent Non-Executive Director
- **Tan Kung Ming**
Independent Non-Executive Director
- **Teo Gim Suan (f)**
Independent Non-Executive Director

AUDIT COMMITTEE

- **Tan Kung Ming**
Chairman
- **Wong Chin Kwong**
- **Teo Gim Suan (f)**

SECRETARY

Liu Yee Ling @ Annie Liu
(LS 0001146)

REGISTERED OFFICE

Lot 6, Block 44, Leboh Tiga
90000 Sandakan, Sabah
Tel : 089-218999
Fax : 089-275111
Website : <http://www.kretam.com>

REGISTRARS

Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya, Selangor
Tel : 03-77843922
Fax : 03-77841988

AUDITORS

Ernst & Young
16th Floor, Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan, Sabah

SOLICITORS

William Liaw, Chan & Co
Suite No. 801-804, 8th Floor,
Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan, Sabah

PRINCIPAL BANKERS

- Public Bank Berhad
- RHB Bank Berhad
- Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Profile Of Directors

The profile of the Directors of KHB, whereby three of the Directors are Independent, are as follows:-

Y. BHG. DATO' ABD. AZIZ BIN HAJI SHEIKH FADZIR

Aged 52, Malaysian, Executive Non-Independent Director and Executive Chairman of KHB. He is also the Chairman of the Executive Committee of KHB. He was appointed to the Board of KHB on 1 July 2002. He holds a Bachelor of Science (Accounting) degree from Purdue University, Indiana, United States of America. He started his career in 1986 as a Project Co-ordinator for Pembangunan Kulim Sdn. Bhd. where he had been actively involved in numerous projects. Prior to joining Gold Bridge Engineering & Construction Berhad where he is the Executive Director and is in charge of the overall management and operations since 1989, he also worked in several construction and property development companies. He also sits on the board of Safeguard Corporation Berhad & Destini Berhad.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

He attended three of the four Board Meetings held during the financial year ended 31 December 2014.

DATUK LIM NYUK SANG @ FREDDY LIM

Aged 63, Malaysian, Executive Non-Independent Director and Chief Executive Officer of KHB. He is also a member of the Executive Committee, Remuneration Committee and Risk Management Committee as well as the Chairman of the Employees' Share Option Scheme ("ESOS") Committee of KHB. He was appointed to the Board of Directors of KHB on 10 December 1998. He has been involved in the plantation business and the timber industry for more than thirty years. He has interests in private companies which are involved in oil palm plantation and sawmilling operations. He also holds directorships in Sabah Softwoods Bhd and several private companies.

He does not have any family relationship with other Directors but he is a brother of the major shareholder of Mingo Development Sdn Bhd, a major shareholder of the Company. The details of his related party transactions with KHB Group are disclosed in the Circular to Shareholders despatched together with the Annual Report. He has not been convicted of any offence within the past ten years.

He attended all the four Board Meetings held during the financial year ended 31 December 2014.

WONG LEN KEE

Aged 66, Malaysian, Executive Non-Independent Director of KHB. He is also a member of the Executive Committee, Risk Management Committee and ESOS Committee of KHB. He is also the Plantations Director of KHB Group. He was appointed to the Board of Directors of KHB on 14 April 2004. He holds a Bachelor of Science (Forestry) degree from The Australian National University Canberra, A.C.T. He was the Project Manager for Sabah Softwoods Sdn Bhd from 1974 to 1984. From 1985 to 1986, he was a director of Sri Brumas Sdn Bhd. He holds directorships in several private companies.

He does not have any family relationship with other Directors and/or major shareholders of the Company. The details of his related party transactions with KHB Group are disclosed in the Circular to Shareholders despatched together with the Annual Report. He has not been convicted of any offence within the past ten years.

He attended all the four Board Meetings held during the financial year ended 31 December 2014.

LEE HOCK LEANG

Aged 50, Malaysian, Executive Non-Independent Director of KHB. He was appointed to the Board of KHB on 16 February 2004 and is currently the Chairman of the Risk Management Committee and a member of ESOS Committee of KHB. He holds a Bachelor of Science (Mechanical Engineering) degree from University of Bradford, Bradford, United Kingdom. He is a certified 1st Class Steam Engineer. He first became involved in the oil palm industry as Management Trainee in 1989 and later as Mill Manager and Group Engineer before setting up his own business in 2006 to provide professional assessment and consultation services in palm oil mill management and engineering.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

He attended all the four Board Meetings held during the financial year ended 31 December 2014.

WONG CHIN KWONG

Aged 66, Malaysian, Independent Non-Executive Director of KHB. He was appointed to the Board of KHB on 15 November 2007 and is currently a member of the Audit Committee and Nomination Committee of KHB. As an approved tax agent by the Ministry of Finance, he has more than 30 years of tax experience and is currently a Tax and Audit Manager with Messrs Kan & Associates, a Chartered Accountant firm which he joined on 1 January 1980. Prior to joining Messrs Kan & Associates, he was an Audit Assistant with Messrs Yapp, Kan, Tiong & Company from 1974 to 1979. He is an associate member of Malaysian Institute of Taxation and also a member of Malaysian Association of Accounting Administrators and Institute of Approved Company Secretaries.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

He attended three of the four Board Meetings held during the financial year ended 31 December 2014.

TAN KUNG MING

Aged 44, Malaysian, Independent Non-Executive Director of KHB. He was appointed to the Board of KHB on 1 August 2008 and is currently the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of KHB. He is a Chartered Accountant and a member of both the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He began his accountancy career with KPMG in 1991. He joined Zung Zang Holding's Group of Companies as Finance Manager in 1996. He was the Accountant of PricewaterhouseCoopers Wood Products Berhad from 2001 to 2003 before starting his own public accounting practice in 2003 under the name of TKM & Co. after obtaining his practising certificate. He also sits on the board of Tekala Corporation Berhad.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

He attended all the four Board Meetings held during the financial year ended 31 December 2014.

TEO GIM SUAN

Aged 52, Malaysian, Independent Non-Executive Director of KHB. She was appointed to the Board of KHB on 1 January 2011 and is currently a member of the Audit Committee, Nomination Committee and Remuneration Committee of KHB. She is a member of the Malaysian Institute of Accountants and an associate member of Chartered Institute of Management Accountants. She was an Audit Assistant with KPMG from 1990 to 1993. She was a Tax Assistant with KPMG Tax Services Sdn Bhd in 1993 and later held the position of Tax Senior until 2003. Between 2003 and 2005, she was the Manager of M & C Services Sdn Bhd, Sandakan Branch that provided company secretarial and related services. She is a Director and Company Secretary of Moving Swift Corporate Services Sdn Bhd, a company which provides company secretarial and related services, since 2005.

She does not have any family relationship with other Directors and/or major shareholders of the Company nor does she have any conflict of interest with the Company. She has not been convicted of any offence within the past ten years.

She attended all the four Board Meetings held during the financial year ended 31 December 2014.

Corporate Governance Statement

The Board of Directors (“the Board”) of Kretam Holdings Berhad (“KHB”/“the Company”) is committed to ensuring that high standards of corporate governance are practised by the KHB Group to be in line with the Malaysian Code of Corporate Governance 2012 (“MCCG 2012”) to enhance shareholders’ value.

The Board is pleased to report on how the Company has applied the principles and recommendations set out in the MCCG 2012 and the extent to which they have been applied by the Board.

BOARD OF DIRECTORS

(a) Board Responsibilities

The Board has full and effective control of the Company including the Management, to carry out the following responsibilities to ensure good performance of the Company’s business and to enhance long-term shareholder value:-

- Reviewing and adopting strategic plans for the KHB Group;
- Overseeing and evaluating the conduct of the KHB Group’s business to ensure proper management thereof;
- Identifying principal risks and instituting risk management;
- Succession planning for senior management;
- Implementing shareholder communications policy; and
- Reviewing adequacy of internal control systems, management information systems and compliance systems.

(b) Board Charter

The Board has established clear functions reserved for the Board and those delegated to the Management in the Board Charter (“the Charter”). The Company’s Code of Ethics and Conduct (“the Code”) provides guidance to the Board, Management and employees of the KHB Group in its day-to-day operations, including dealing with customers, suppliers, shareholders and business associates. The Charter and the Code are made available at the Company’s website at <http://kretam.com>.

The role of the Executive Chairman is separate from that of the Chief Executive Officer to ensure a balance of power and authority. The Executive Chairman heads the Board and leads the Directors to review and decide on the Management’s proposals relating to the Company’s financial and corporate matters. The Chief Executive Officer is responsible for the day-to-day management of the Company’s operations and the implementation of the Board’s policies and decisions.

(c) Strategies for Sustainability

The Board recognises the importance of sustainability and is committed to observing and implementing sustainable practices throughout the KHB Group. The KHB Group is putting more emphasis on the protection of the environment, on improving the socioeconomic conditions of its employees, the communities in the vicinity and the community at large and on building long-term good relationship of all stakeholders.

(d) Board Composition and Balance

Currently, the Board has 7 members comprising 4 Executive Directors and 3 Independent Non-Executive Directors. Collectively, the Board brings a broad range of financial, corporate and operational experience and expertise necessary for the Company’s business operations. The MCCG 2012 recommends that the Chairman should be an Independent Non-Executive Director. However, the Board has assessed the chairmanship of Y. Bhg. Dato’ Abd. Aziz Bin Haji Sheikh Fadzir and, based on the following justifications, has unanimously determined that he should remain as the Executive Chairman:-

- His professional qualification, knowledge, experience and leadership would enable him to provide invaluable input to the Board;
- His broad network of social and business contacts locally and abroad would bring additional business opportunities to help the KHB Group grow; and
- He has demonstrated care and skill in the best interest of the Company and shareholders since his appointment as the Executive Chairman of the Company.

Furthermore, the Independent Non-Executive Directors provide unbiased views and objective and independent judgment to the decision-making process of the Board and provide a capable check and balance for the Executive Directors. None of the Independent Non-Executive Directors has served the Company exceeding a cumulative term of 9 years.

The Board respects the government's initiative to include women representation on the Board and in this respect the Board is pleased with Independent Non-Executive Director Ms. Teo Gim Suan's active participation and commitment on matters and meetings of the Board and those of the Board Committees where she is a member.

(e) Appointments To The Board

The Nomination Committee is responsible for considering and recommending the right candidate with the necessary skills, knowledge, experience, professionalism and competencies to be recruited to the Board and for assessing Directors' performance on an on-going basis. Details of the Nomination Committee are set out on page 13.

(f) Re-election

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board during the year, shall hold office only until the next Annual General Meeting ("AGM") and shall be eligible for re-election. In addition, all the Directors, including the Chief Executive Officer, shall retire from office at the AGM at least once every 3 years but shall be eligible for re-election.

(g) Meetings

At least 4 Board Meetings are held annually. Each meeting is scheduled to coincide with the Company's financial reporting cycle, with additional meetings convened as and when required. Matters considered during the Board Meetings included the Group's financial results, strategic decisions, business plan and direction. 4 Board Meetings were held during the financial year ended 31 December 2014, with the following record of attendance of each Director:-

Directors	Number of Meeting Attended
Y. Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir	3 of 4
Datuk Lim Nyuk Sang @ Freddy Lim	4 of 4
Wong Len Kee	4 of 4
Lee Hock Leang	4 of 4
Wong Chin Kwong	3 of 4
Tan Kung Ming	4 of 4
Ms. Teo Gim Suan	4 of 4

(h) Supply Of Information

Information including latest statutory and non-statutory regulations and requirements is provided to the Board members on a timely basis. 1 week prior to meetings of the Board and the Board Committees, the Directors are provided with reports and information relating to the business operations and/or financial affairs of the KHB Group to enable the Directors to be properly briefed and to obtain further information or explanation, where necessary, before the meetings. The Board members have full access to all information within the Company and access to the advice and services of the Company Secretary as a full board or in their individual capacity to enable them to discharge their duties.

The Directors may, as a full Board or in their individual capacity, seek independent professional advice at the Company's expense when necessary. The terms of appointment and removal of the Company Secretary is a matter for the Board as a whole.

(i) Directors' Training

All the Directors had successfully completed the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities"). The Directors will continue to attend other relevant training programmes to further enhance their skills and knowledge and to keep abreast with regulatory changes and developments.

All the Directors have attended training during the financial year ended 31 December 2014. Programmes and seminars attended by the Directors, collectively or individually, during the year ended 31 December 2014 were as follows:-

- *Audit Committee Conference 2014 – Stepping Up for Better Governance* by Malaysian Institute of Accountants ("MIA") jointly with The Institute of Internal Auditors Malaysia;
- *Understanding of GST and Updates in Malaysia* by Malaysian Institute of Accountants;
- *National Tax Conference 2014* by Lembaga Hasil Dalam Negeri Malaysia ("LHDN") jointly with Chartered Tax Institute of Malaysia ("CTIM");
- *Half-Day Workshop on "Appreciation & Application of ASEAN Corporate Governance Scorecard"* by Bursa Malaysia Berhad jointly with Minority Shareholder Watchdog Group;
- *Seminar Percukaian Kebangsaan 2014* by LHDN;
- *Goods And Services Tax (GST) Training Course* over several days by CTIM;
- *Audit Committees – Increased Expectations* by Bursatra Sdn Bhd;
- *Submission of Tax Return Forms 2013* by Malaysian Association of Company Secretaries ("MACS");
- *The Proposed Companies Bill & Company Secretaries* by MACS;
- *4-day Seminar on "Getting Accounting Right for GST in Malaysia (Part 1) and (Part 2)"* by MIA;
- *The 2015 Budget Seminar* by MIA jointly with Malaysia Association of Tax Accountants;
- *Continuing Professional Development Seminar* by Institute of Approved Company Secretaries ("IACS");
- *IACS – COMTRAC Seminar 2014 – "Governance, Risk and Control for Company Secretaries"* by IACS jointly with Companies Commission of Malaysia ("CCM") and Companies Commission of Malaysia Training Academy;
- *SSM Sabah Seminar* by CCM;
- *Helping Successful Leaders Get Even Better: Developing Ourselves, Our People and Our Teams* by The Asia HRD Congress International Conference & Exhibition;
- *Contracts & Arbitration Workshop* by The Palm Oil Refiners Association of Malaysia;
- *Preparing & Understanding Goods & Services Tax 2015* in-house training programme by Corporate Frontier;
- *Dynamic Presentation Skill Training* in-house training programme by Better Training Solutions Sdn Bhd; and
- *Microsoft Office 2010 Training* in-house training programme by Arfsan Computer Centre.

(j) Directors' Remuneration

A summary of the Directors' remuneration received from the Company and subsidiary companies during the financial year ended 31 December 2014 is as follows:-

- 1) Aggregate remuneration of Directors who served during the financial year, categorised into appropriate components:

Remuneration	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Fees	40	30	70
Other Emoluments	-	84	84
Salaries and other Remuneration	3,025	-	3,025
Bonus	510	-	510
Benefit-in-kind	188	-	188

- 2) Number of Directors who served during the financial year, whose remuneration fall in the following bands:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM550,001 – RM600,000	2	-
RM700,001 – RM750,000	1	-
RM1,850,001 – RM1,900,000	1	-

BOARD COMMITTEES

(a) Executive Committee

The members of the Executive Committee are as follows:-

Y. Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir - Chairman

Datuk Lim Nyuk Sang @ Freddy Lim

Wong Len Kee

The Terms of Reference of this committee are to undertake tasks specifically assigned to it by the Board of Directors and the Executive Committee shall be vested with the same powers and authority in respect of management, control, and direction of the Company as the Board of Directors save as provided below:-

- 1) any investment which is in excess of 30% of the total issued and paid up Share Capital or such higher amount as the Board of Directors shall decide from time to time; and
- 2) any matter which may not by law be delegated by the Board of Directors, or which would cause the Board of Directors to be in breach of any duty.

(b) Audit Committee

The Audit Committee comprises 3 members, all of whom are Independent Non-Executive Directors. Details of the Audit Committee are set out in the Audit Committee Report on page 17.

(c) Remuneration Committee

The following Directors, consisting of a majority of Non-Executive Directors, are the present members of the Remuneration Committee:-

Tan Kung Ming

- Chairman (*Independent Non-Executive Director*)

Ms. Teo Gim Suan

- Member (*Independent Non-Executive Director*)

Datuk Lim Nyuk Sang @ Freddy Lim

- Member (*Non-Independent Executive Director*)

The Remuneration Committee is responsible for:-

- Recommending to the Board the framework for remuneration of the Directors and remuneration packages of Executive Directors so as to attract and retain the Directors needed to run the Company successfully;
- Assisting the Board in assessing the responsibility and commitment undertaken by the Board member; and
- Assisting the Board in ensuring the remuneration of the Directors reflects the responsibility and commitment of the Director concerned.

(d) Nomination Committee

The present members of the Nomination Committee which comprises exclusively of Independent Non-Executive Directors are as follows:-

Tan Kung Ming	- Chairman (<i>Independent Non-Executive Director</i>)
Wong Chin Kwong	- Member (<i>Independent Non-Executive Director</i>)
Ms. Teo Gim Suan	- Member (<i>Independent Non-Executive Director</i>)

The Nomination Committee is responsible for:-

- Identifying and recommending to the Board of Directors, candidates to the Board and Board Committees;
- Considering, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder; and
- Reviewing the effectiveness of the Board as a whole, the Board Committees and assessing the contributions of each individual Director.

The Board acknowledges that all Board appointments should be the responsibility of the full Board after considering the recommendations of the Committee.

During the financial year ended 31 December 2014, the Committee held 1 meeting on 24 November 2014 during which the Committee carried out an evaluation on the effectiveness of the Board as a whole, the Board committees and the contributions of each individual Director.

(e) Risk Management Committee

The Risk Management Committee consists of the following Directors:-

Lee Hock Leang	- Chairman (<i>Non-Independent Executive Director</i>)
Datuk Lim Nyuk Sang @ Freddy Lim	- Member (<i>Non-Independent Executive Director</i>)
Wong Len Kee	- Member (<i>Non-Independent Executive Director</i>)

The principal roles and responsibilities of the Risk Management Committee are as follows:-

- Create a high-level risk strategy (policy) aligned with KHB's strategic business objectives;
- Communicate Board vision, strategy, policy, responsibilities, and reporting lines to all employees across the Group;
- Identify and communicate to the Board the critical risks (present or potential) the Group faces, their changes, and the management action plans to manage the risks;
- Perform risk oversight and review risk profiles and organisational performance;
- Set performance measures for the Group (e.g. departments); and
- Provide guidance to the departments on the Group's and departments' risk appetite and capacity, and other criteria, which when exceeded, trigger an obligation to report upward to the Board.

(f) Employees' Share Option Scheme ("ESOS") Committee

The ESOS was established with the approval of the shareholders in a general meeting held on 25 June 2009. The ESOS Committee consists of 3 members from the Board and 1 member from the Senior Management. The ESOS Committee is responsible to administer the Company's ESOS in accordance with the Bye-Laws of the ESOS.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board acknowledges the importance of effective communication with the Company's shareholders and the public and this is conducted through:

- 1) Despatching the Group's Annual Report and circulars to shareholders;
- 2) Timely release of the Group's Annual Report, Quarterly Results announcements and other announcements to the regulatory authorities namely the Bursa Securities;
- 3) Accessibility of the Group's Annual Report, Quarterly Results announcements and other announcements through the Bursa Securities website at www.bursamalaysia.com as well as the Company's website at <http://www.kretam.com>;
- 4) Bursa Securities Link, whereby queries from Bursa Securities are addressed in a timely manner;
- 5) Notifying shareholders of dates of AGM and other general meetings in the printed media and on the Bursa Securities website to ensure communication with the shareholders;
- 6) Holding dialogue with shareholders at the AGM and other general meetings; and
- 7) The Company's website through which the shareholders and the public can have access to information or to forward their queries pertaining to the Group.

Notices convening meetings are sent to shareholders at least 14 days before a general meeting, or at least 21 days before an AGM or a general meeting where any special resolution is to be proposed, together with related circulars or the Group's Annual Report. At the AGM, the shareholders are given the opportunity to raise questions or seek information on the resolution being proposed and about the Group's operations in general. The Company's Auditors are also present at the AGM.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's position and prospects through its Quarterly Results announcements and Annual Report.

(b) Directors' Responsibility Statement In Respect Of The Preparation Of The Audited Financial Statements

The Directors' Responsibility Statement in respect of the preparation of the audited financial statements is set out on page 16.

(c) Internal Control

The Board recognises its responsibility for the Group's system of internal control covering, in addition to financial controls, operational and compliance controls and risk management.

The Company's Statement on Risk Management and Internal Control is set out on page 21.

(d) Relationship With The Auditors

The Board has established a good working relationship with the Group's internal and external auditors through the Audit Committee.

ADDITIONAL INFORMATION

(a) Non-audit Fees

Non-audit fees incurred for services rendered by the external auditors and/or their affiliates to the Company and its subsidiary companies for the financial year ended 31 December 2014 amounted to RM166,000.

(b) Material Contracts

No material contract which involved the Company's Directors and/or major shareholders was entered into by the Company and/or its subsidiary companies during the financial year ended 31 December 2014.

(c) **Recurrent Related Party Transactions of a Revenue Nature**

Recurrent related party transactions of a revenue nature of the Group for the financial year ended 31 December 2014 were as follows:-

Nature of Transaction	Related Party	Total Value Transacted During The Year
Purchase of Crude Palm Oil by Green Edible Oil Sdn Bhd ("GEOSB") ¹	Malsa Corporation Sdn Bhd ("MCSB") ²	RM31,697,000
Purchase of Empty Fruit Bunch by GEOSB ¹	MCSB ²	41,000
Rental of Jetty by GEOSB ¹	Priceworth Industries Sdn Bhd ("PISB") ³	36,000
Purchase of Water by GEOSB ¹	PISB ³	36,000
Roadworks and Drainage of GEOSB ¹	PISB ³	215,000
Rental of barges, tugboats and other equipment by GEOSB ¹	Maxland Sdn Bhd ("Maxland") ⁴	30,000
Purchase of Fresh Fruit Bunch by Syarikat Kretam Mill Sdn Bhd ⁵	MPK Plantations Sdn Bhd ("MPK") ⁶	148,000
Management Fees for composting project services provided to Abedon Enviro Sdn Bhd ("AESB") ⁷	Enviro Venture Proprietary Limited ("EVPL") ⁸	71,000
Purchase of Waste Wood by GEOSB ¹	Sabah Softwoods Berhad ("SSB") ⁹	2,900
Administrative Fees for services provided to AESB ⁷	Abedon Sdn Bhd ¹⁰	60,000

¹ A wholly-owned subsidiary of KHB

² Datuk Lim Nyuk Sang @ Freddy Lim ("FLNS"), a Director and major shareholder of KHB, is a director and major shareholder of MCSB

³ Lim Nyuk Foh ("LNF"), a brother of FLNS, is a director of PISB, a wholly-owned subsidiary of Priceworth International Berhad ("PIB") in which LNF is a director and major shareholder

⁴ LNF is a director of Maxland which is a wholly-owned subsidiary of PISB

⁵ A wholly-owned subsidiary of KHB

⁶ Wong Len Kee, a Director and shareholder of KHB, has direct interests in MPK

⁷ An indirect 70%-owned subsidiary of KHB. Enviro Venture Sdn Bhd ("EVSB") holds the remaining 30% equity interest in AESB

⁸ EVPL holds 80% equity interest in EVSB. Chiam Yaw Chung and Mun Khai Yip ("MKY") are common directors in AESB and EVSB. MKY is also a director of EVPL

⁹ FLNS is a director and major shareholder of SSB

¹⁰ A wholly-owned subsidiary of KHB

This Corporate Governance Statement was approved by the Board on 21 April 2015

Statement Of Directors' Responsibility

For Preparing The Financial Statements

The Directors are required by the provisions of the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of the results and cash flows for the financial year.

In preparing the financial statements, the Directors have:

- selected and applied appropriate accounting policies on a consistent basis;
- made judgments and accounting estimates that are reasonable in the circumstances; and
- ensured that applicable accounting standards have been followed.

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Group and of the Company and which enable them to ensure that the financial statements are in compliance with the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. They are responsible for taking reasonable steps to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

Audit Committee Report

A. COMPOSITION AND ATTENDANCE OF AUDIT COMMITTEE

The Audit Committee members and record of attendance of each member at the Audit Committee meetings held during the financial year ended 31 December 2014 are as follows:-

Audit Committee Member	Attendance
Tan Kung Ming - Chairman (<i>Independent, Non-Executive Director, MIA Member</i>)	4 of 4
Wong Chin Kwong - Member (<i>Independent, Non-Executive Director</i>)	3 of 4
Teo Gim Suan - Member (<i>Independent, Non-Executive Director, MIA Member</i>)	4 of 4

The General Manager of Finance was present by invitation in all the meetings. Representatives of the external auditors, Messrs Ernst & Young, also attended two meetings upon invitation.

B. TERMS OF REFERENCE

Membership

- (i) The Audit Committee shall consist not less than three (3) members, all of whom must be non-executive Directors, with a majority being Independent Directors.
- (ii) At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or has the relevant qualifications and experience as prescribed in the Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements ("LR").
- (iii) The Chairman of the Audit Committee shall be an Independent Director.
- (iv) Any vacancy in the Audit Committee resulting in the number of members reduced to below 3 shall be filled by a new member appointed by the Board of Directors within 3 months.
- (v) The terms of office of Committee members shall be reviewed by the Board at least once every 3 years.

Authority

- (i) The Committee may investigate any activity within its terms of reference and seek any information it requires from any employee of the Group;
- (ii) The Committee may obtain legal or other independent professional advice, appoint external parties with relevant experience and expertise and convene meetings with the external auditors or the internal auditors; and
- (iii) The Committee must promptly report to Bursa Securities any matter that has been reported to the Board of Directors but has not been satisfactorily resolved resulting in a breach of the LR.

Functions

The functions of the Committee shall be to:-

- a) Review the following and report the same to the Board of Directors:-
 - (i) with the external auditor, the audit plan, the evaluation of the system of internal controls and the external audit report;
 - (ii) the assistance given by the employees of the Group to the external auditor;
 - (iii) the adequacy of the scope, functions, competency and resources of the internal audit functions;
 - (iv) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken;
 - (v) the quarterly results and year end financial statements, prior to the Board of Directors' approval;
 - (vi) any related party transaction (including recurrent related party transaction of a revenue or trading nature) and conflict of interest situation that may arise within the Company or Group;
 - (vii) any letter of resignation from the external auditor of the Group;
 - (viii) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment; and
- b) Recommend the nomination of a person or persons as external auditor

together with such other functions as may be agreed to by the Committee and the Board of Directors.

Attendance At Meetings

- (i) The quorum for meetings of the Audit Committee shall be majority of the members present who are Independent Directors.
- (ii) Other Directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.
- (iii) The Company Secretary shall be the Secretary of the Committee.

Proceedings At Meetings

- (i) If at any meeting the Chairman is not present within 10 minutes after the appointed time, or is unwilling to act, the members present may choose one of their numbers to be chairman of the meeting.
- (ii) The Committee shall meet, adjourn or otherwise regulate its meetings and proceedings as it thinks fit and questions arising thereat shall be decided by a majority of votes.
- (iii) In the case of an equality of votes the chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.
- (iv) A resolution which may consist of several documents in the same form and each signed by one or more members of the Committee for the time being present in Malaysia shall be as effective as a resolution passed at a meeting of the Committee duly convened and held.

Frequency Of Meetings

The meetings shall be held not less than four (4) times a year. The Secretary shall, on a member's requisition at any time, summon a meeting of the Audit Committee.

Reporting Procedures

Minutes of meetings of the Committee are to be circulated to the Board of Directors.

C. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The main activities undertaken by the Committee during the year ended 31 December 2014 were as follows:

- Reviewed the external auditors' scope of work and audit plan for the year prior to the commencement of the audit work;
- Reviewed with the external auditors on the results of the audit and the audit report;
- Reviewed the audit fees payable to the external auditors before recommending to the Board of Directors;
- Reviewed the annual budget for 2015 for the Group before recommending to the Board of Directors;
- Met with the external auditors twice during the year without the presence of any executive Board member;
- Reviewed the Internal Audit Reports prepared by the Internal Audit Function ("IAF") on findings arising from their visits to the Group's plantations, mills and refinery, their recommendations and the Management's responses thereto and ensured that material findings were addressed by Management;
- Reviewed the annual report and the audited financial statements of the Company and ensured that they were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable accounting standards in Malaysia before recommending to the Board for approval;
- Reviewed the unaudited quarterly results of the Group before recommending to the Board for approval for announcement to Bursa Securities; and
- Reviewed the recurrent related party transactions ("RRPTs") entered into by the Group and reviewed the internal audit reports relating to RRPTs to ascertain that all guidelines and procedures established to monitor RRPTs have been complied with.

D. SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The activities of the Internal Audit Function (“IAF”), outsourced to Messrs KPMG (“KPMG”) and with effect from last quarter of 2014 to Messrs FS Chen & Associates after KPMG ceased its Sandakan operations, are as follows:-

- * Carrying out a minimum of 6 cycles of internal audit annually on a rotation basis among the plantation division’s estates and mills, the fertiliser division and the refinery division within the Group;
- * Gathering data, discussing with relevant personnel of the Group and reviewing available process documentation, policies, etc., to gain an understanding of the areas to be covered;
- * Meeting with process owners to discuss the intended approach, process overview and project logistics;
- * Interviewing/walking through to identify process, risks and controls of the specific areas to be covered;
- * Testing of key internal controls and discussing issues with Management as they are identified;
- * Verifying two significant risk management controls per cycle as listed in the Risk Management Register to confirm their implementation;
- * Holding periodic status meetings with process owners and with relevant Management personnel to discuss fieldwork status and any issues/findings identified to date and/or specific issues or concerns and documenting thereof;
- * Preparing report on the findings, risks for each finding and action steps to be taken for each issue identified; and
- * Preparing the final report upon receipt of the Management’s comments and presenting it to the Audit Committee.

The IAF has incurred expenses amounting to RM69,655 during the year ended 31 December 2014.

E. STATEMENT ON EMPLOYEES’ SHARE OPTION SCHEME (“ESOS”)

No allocation of options was made during the period from the establishment of the ESOS up to the end of the financial year ended 31 December 2014.

Statement On Risk Management And Internal Control

The Board of Directors recognises its responsibility for managing business risks as well as maintaining a sound system of internal control for the Group. In managing risks it must be understood that this is not about eliminating all risk; rather it is about identifying, assessing and responding to risks to achieve the Group's objectives.

To assist it in the discharge of such responsibility, the Board had constituted a Risk Management Committee (RMC) comprising executive directors and also members of senior management from both the corporate head office and individual business units. This Committee oversees all aspects relating to the risk management function and meets regularly to update itself on new developments that may affect the Group's risk profiles, and to respond accordingly. During the year, and up to the date this statement is approved for inclusion in this Annual Report, the RMC had, under its ongoing Enterprise Risk Management framework, reviewed and updated the Group's risk appetites, identified and evaluated the significant risks faced by the various business units to ensure that adequate actions can be taken to restrict such risks to the status of "residual risk".

The Group's internal control system represents the activity of managing risk and ensuring the achievement of objectives conducted by the Board and management. It covers all types of control including financial, operational and compliance controls, and involves every business unit. In the context of risk appetites, such a system can only provide reasonable rather than absolute assurance against significant loss or failure, as it is designed to keep to an acceptable level of, rather than eliminate, the risk of failure to achieve the Group's objectives.

Recognising the importance of a control-conscious environment, the Board had designed the Group's organisational structure in such a way that each business unit and its scope of activities and responsibilities is clearly defined. Within each of these business units there is a clear and well-defined delegation of authority and responsibilities to the members of the respective management teams; emphasis is given to the segregation of duties among employees. Levels of authorisation are also imposed on management personnel who have been authorised to enter into day-to-day transactions on behalf of their respective business units. In all cases, management personnel and employees are made aware of their responsibilities for safeguarding the interests of the Group.

The framework and key features of the internal control system of the Group include the following:

- The Board reviews periodic reports from management on key operating and financial performance, legal, environmental and regulatory matters.
- Annual budgets and business plans are prepared by all business units and consolidated at Group level. Operating results and key performance indicators are monitored by senior management against budgets and where information is available, industrial norms and/or averages. Major variances and critical operational issues are then followed up with appropriate actions taken thereon.
- Limits of Authority guidelines provide a sound framework of authority and accountability within the organisation and to facilitate quality and timely corporate decision making at the appropriate level in the organisation's hierarchy.
- Policies and procedures are clearly documented for all major operations of the Group.

The Board has received assurance from the Chief Executive Officer and General Manager of Finance that the Group's risk management and internal control system is functioning adequately and effectively in all material aspects.

The Board had reviewed the Group's need for an internal audit department, and for the time being is of the opinion that the Group's needs can be met adequately by outsourcing the internal audit function. Presently Messrs FS Chen & Associates, a firm of chartered accountants, provides such outsourced service. Their reports are reviewed by the Audit Committee, and appropriate action is taken to correct any weaknesses identified in the internal control system.

Chairman's Statement

Dear Shareholders,

I am pleased to present to you the Annual Report of Kretam Holdings Berhad ("the Company"/"the Group") for the year ended 31 December 2014 on behalf of the Board of Directors ("the Board").

REVIEW OF RESULTS AND OPERATIONS

For 2014 our Group achieved revenues of RM439.5 million (2013: RM362.3 million), and profit before taxation of RM21.9 million (2013: RM20.7 million). For a more meaningful analysis, I reproduce the following from Note 37 to our financial statements to show how these are arrived at in terms of the two operating divisions of the Group:-

	2014 RM'000	2013 RM'000
Sement revenue		
- Plantations and mills	283,028	248,172
- Refinery	316,189	215,377
less: Adjustments and eliminations	(159,662)	(101,283)
	439,555	362,266
Segment results		
- Plantations and mills	53,748	29,608
- Refinery	(25,581)	(5,346)
less: Adjustments and eliminations	(6,240)	(3,529)
	21,927	20,733

Further commentary is provided below.

Movements in CPO and PK prices

I begin by discussing movements in the prices of crude palm oil (CPO) and palm kernel (PK) because this is very often the context in which our Group's financial results are to be seen. For the past 3 years the MPOB Sabah average prices have been as follows:-

	CPO			PK		
	2014	2013	2012	2014	2013	2012
January	2,510.00	2,162.00	3,149.50	1,760.50	1,024.50	1,870.00
February	2,625.00	2,340.00	3,051.50	1,945.00	1,136.00	1,780.00
March	2,831.00	2,297.50	3,243.00	2,124.50	1,083.00	1,919.00
April	2,662.00	2,258.00	3,454.00	1,947.50	1,140.00	1,975.00
May	2,604.50	2,237.50	3,148.50	1,912.50	1,131.50	1,686.50
June	2,423.00	2,355.50	2,917.00	1,820.50	1,160.00	1,712.00
July	2,384.00	2,297.50	3,016.00	1,586.50	1,193.00	1,612.50
August	2,150.50	2,303.50	2,787.50	1,298.00	1,261.50	1,493.50
September	2,039.50	2,322.00	2,690.00	1,175.50	1,316.50	1,327.00
October	2,136.00	2,340.50	2,250.00	1,210.00	1,313.50	1,126.00
November	2,157.50	2,549.00	2,188.00	1,212.00	1,565.50	1,090.00
December	2,088.50	2,569.50	2,024.00	1,228.00	1,714.50	924.00

Following the slow but consistent recovery of CPO prices in 2013, the first few months of 2014 gave some cause for optimism as prices strengthened to the RM2,600-2,800 level. However, these gains could not be sustained due to increased supply of soyabean oil, and were indeed reversed following the unforeseen plunge in crude oil prices from July onwards. While certain segments of the population might be enjoying the benefits of cheap(er) oil, we were left with the small consolation of lower fuel expenses.

Plantation Division

Our Plantation Division, which consists of estate and mill operations, recorded revenues of RM283.0 million (2013: RM248.2 million) and pre-tax profit of RM53.7 million (2013: RM29.6 million). Like 2012, 2014 may also be seen to be a year of two halves (albeit without the same sharp contrast), such that the average CPO price achieved of RM2,350 was actually higher than that in 2013 (RM2,253).

The RM97 increase in average CPO price, while only a 4.3% increase, was together with productivity gains (see table below), instrumental in leading to an improvement in pre-tax profit by around RM15 million. Other factors for the improved results included higher PK prices (RM1,643 versus RM1,277).

In the face of the challenging environment of the past two years, I am pleased to report some further gains have been made in terms of productivity as highlighted by our estates' and palm oil mills' key performance indicators (which are then compared to the Sabah industry average):

	2014	2013	% increase / (decrease)
FFB Production (tons)	379,705	367,258	3.4%
FFB Yield (tons per hectare)			
- our Group	22.46	22.23	1.0%
- MPOB Sabah Average	21.34	20.88	2.2%
Oil Extraction Rate (%)			
- our Group	21.23%	20.89%	1.6%
- MPOB Sabah Average	21.49%	21.05%	2.1%
Oil Yield (tons per hectare)			
- our Group	4.77	4.64	12.7%
- MPOB Sabah Average	4.59	4.40	4.3%

Of particular note is the fact that our estates' FFB yield is above the Sabah industry average by 5.2%, and therefore, overall our oil yield per hectare was higher than the average by about 4%.

Refinery Division

The Refinery Division recorded revenues of RM316.2 million (2013: RM215.4 million) and pre-tax loss of RM25.6 million (2012: loss of RM5.3 million).

During the year the refinery processed a total of 81,551 tons (2013: 61,192 tons) of CPO. A further 65,578 tons (2013: 23,421 tons) of CPO were directly exported due to somewhat favourable opportunities for trading gains that arose at various times during the year. Expansion of the refinery's capacity from 325 tons per day (TPD) to 1,500 TPD was completed in the second half of the year. Despite the additional capacity, unfavourable refining margins meant that we had to limit our purchases and processing of CPO. Consequently, any economies of scale that had been envisaged at the time the expansion was undertaken would have to wait until the situation improves.

DIVIDENDS

The Board does not propose the payment of any dividend for the year ended 31 December 2014.

CORPORATE DEVELOPMENTS

(a) Bulking Joint Venture Agreement

On 7 July 2014 Usaha Dimega Sdn Bhd (“UDSB”), a subsidiary in which the Group holds an effective interest of 66.67%, entered into a conditional Bulking Joint Venture Agreement (“BJVA”) with Rikaworth Sdn Bhd (“RSB”) and Sawit Bulkers Sdn Bhd (“SBSB”) to venture into the business of palm oil common bulking installations for palm oil and related products together with a system of pipe racks to facilitate the transfer of liquid products between the bulking facilities and users of such facilities and the conveyance of the same to and from the jetty facilities of the Sabah Ports Authority in Sandakan, subject to the terms and conditions of the BJVA.

The BJVA is subject to the fulfilment (unless waived by mutual written consent of UDSB and RSB) of certain Conditions Precedent, after which UDSB and RSB are to subscribe for shares at par in the JV Company in cash on a date to be decided by the Board of Directors of the JV Company within 10 days after the Conditions Precedent are fulfilled or waived. Following the subscription of shares, the equity interest held by the respective parties shall be as follows:-

	No. of Shares	Percentage
UDSB	12,750,000	60%
RSB	8,500,000 (including the existing 100,000 issued shares)	40%

(b) Proposed Share Split

On 9 January 2014 the Company completed its share split involving the subdivision of one existing ordinary share of RM1 each into 5 ordinary shares of RM0.20 each.

(c) Conversion of ICPS

On 11 April 2014 the Company converted 47,391,305 Irredeemable Convertible Preference Shares (ICPS) of RM0.20 each into the same number of ordinary shares of RM0.20 each.

OUTLOOK FOR THE IMMEDIATE FUTURE

Going forward, there are good reasons to believe that things can only get better. Although CPO prices have been at around the RM2,100-2,300 level between January and mid-April 2015, we take the view that they should not get any lower given that crude oil prices seem to have bottomed out already.

Obviously, one would have to be an extreme optimist to expect CPO prices to be bullish in 2015. Although the last two years' prices were rather indifferent, we had been able to more than survive – indeed, we had been fairly comfortable! This then is a good indicator of how we might perform should prices in 2015 not improve.

CORPORATE SOCIAL RESPONSIBILITY

I now move on to an aspect of our existence that is often overlooked. Our Group is a corporate citizen, and the manner in which it carries out its operations can affect numerous persons and/or whole communities. Of course, in that capacity we contribute to and benefit many through *inter alia* provision of employment and business opportunities and payment of taxes.

We recognize that in addition to our shareholders, there are many other stakeholders in the various aspects of our Group's operations. These include, but are not limited to, our employees, the environment and the general community where our operations are located and/or conducted. Each of these is discussed in turn.

(a) Our Employees

Without the input of our employees our Group would grind to a halt, and we would have no FFB production and yield, oil extraction rates, earnings and other like achievements to talk about. Therefore we give recognition to what they bring to the Group and how they help achieve the Group's objectives. Emphasis is given to their development and advancement so as to enable them to be more productive – this is done through a combination of formal and on-the-job training. We provide career openings for fresh university graduates and school leavers and industrial and practical training attachments for students from local universities and vocational training institutions.

At the workplace we give high priority to health and safety and consequently expend significant resources to this end. This includes training and instilling safety awareness in employees as well as providing safety-related materials and equipment.

Employees at our estates and mills enjoy various amenities, from free accommodation to free or subsidized healthcare. With regards to the former, we have already embarked on a program to progressively replace existing ageing employee houses with new ones. Employees at our estates with young children are also provided with childcare facilities.

At Bode Estate, we had built a school (SK Ladang Bode, a government-run primary school) in 1983, which caters to the children of our employees. We had in 2011 carried out extensive repairs and rehabilitation works on the certain school buildings and teachers' quarters, which were ageing and in poor condition. For our other estates and mills, free or subsidized transport is provided to send employees' children to the nearest school.

(b) The Wider Community

It goes without saying that our estate and mill operations, which are located in rural areas, had helped contribute to rural development and generate rural incomes in more ways than one. For example, the very fact that we had invested significant resources in setting up our palm oil mills mean that many oil palm smallholders have an avenue to sell their crops – without the mills, such persons might not even be in the oil palm business at all, let alone earn a reasonable income from it.

Apart from the economic aspect of it, we also engage with our wider community at various times, including:

- blood donation events held in conjunction with the Duchess of Kent Hospital, Sandakan;
- visitations to Sri Harapan Old Folks' Home in Sandakan;
- the provision of small plots of land within our estates for the erection of telecommunication towers, which would provide access to wireless communication for residents in the vicinity; and
- the provision of cash donations and/or sponsorships to a variety of charities and non-profit organizations.

(c) The Environment

Environmental protection matters to us, and even more so to communities based in the vicinity of our operations. Therefore in addition to complying with regulatory requirements and guidelines, we are committed to conducting our business in a sustainable manner. Some key aspects of this are as follows:-

- about 30% of our landbank at our Silimpopon Estate in the Tawau district remains unplanted (mainly due to their hilly and steep terrain).
- during the year, our refinery (under Green Edible Oil Sdn. Bhd.) and one of our palm oil mills (Kretam Palm Oil Mill) obtained ISCC (International Sustainability and Carbon Certification) status, under which they are required to monitor all aspects of their operations where greenhouse gases may be emitted, and to work towards reducing them accordingly. This entails the monitoring and reporting of our activities, from the estates right down to the refinery, towards that end.
- our longer term goal is to obtain RSPO (Roundtable on Sustainable Palm Oil) status.

Related to the maintenance of ISCC status is the construction of a biogas plant next to Kretam Palm Oil Mill, which is already underway. When completed this will reduce our emissions of the greenhouse gas methane. One of our subsidiaries, Abedon Enviro Sdn. Bhd., has virtually completed the construction a biomass composting plant, which will in addition to reducing greenhouse gas emissions, turn by-products from the milling process into value-added organic fertilizer.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to record our appreciation to the management and employees of the Group for their valuable contributions, dedication and commitment in their services during the year.

I would also like to thank our shareholders, clients, business associates, bankers, and relevant regulatory authorities for their continued support, trust, and confidence in the Group.

For and behalf of the Board,

Dato' Abd. Aziz bin Hj. Sheikh Fadzir

Executive Chairman

21 April 2015

Plantation Statistics

2010 to 2014

		2014	2013	2012	2011	2010
OIL PALM						
Production	(tonnes FFB)	379,705	367,258	373,704	313,541	247,955
Yield per hectare	(tonnes FFB)	22.46	22.23	21.80	22.85	19.94
FFB Purchased	(tonnes FFB)	111,605	76,242	72,691	34,663	15,041
MILL						
Production						
- Crude Palm Oil	(tonnes)	103,520	92,574	73,268	47,054	17,034
- Palm Kernel	(tonnes)	22,974	20,930	16,430	11,159	3,932
Extraction Rates						
- Crude Palm Oil	(%)	21.23	20.89	20.60	20.21	21.39
- Palm Kernel	(%)	4.71	4.72	4.62	4.79	4.94
AREA						
Oil palm in harvesting	(hectares)	16,907	16,523	17,142	13,722	12,434
Oil palm immature	(hectares)	2,733	3,319	2,739	2,207	2,165
TOTAL		19,640	19,842	19,881	15,928	14,599

Note: 2011 figures include production from newly-acquired subsidiaries only after the date control was obtained over them. The hectareage for their estates has been included in such a way as to be reflective of their full-year equivalent.

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***KHB* KRETAM HOLDINGS BERHAD**

(Company No : 168285-H)

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

Principal activities

The principal activities of the Company are the operation of oil palm plantation and investment holding. The principal activities of the subsidiaries and associate are stated in Notes 19 and 20 to the financial statements respectively.

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

Results

	Group RM'000	Company RM'000
Profit net of tax	10,759	87,056
Profit attributable to:		
Owners of the Company	10,684	87,056
Non-controlling interests	75	-
	10,759	87,056

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Y.Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir
Datuk Lim Nyuk Sang @ Freddy Lim
Wong Len Kee
Lee Hock Leang
Wong Chin Kwong
Tan Kung Ming
Teo Gim Suan

In accordance with Article 80 of the Company's Articles of Association, Tan Kung Ming and Teo Gim Suan retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and Irredeemable Convertible Preference Shares ("ICPS") in the Company during the financial year were as follows:

		Number of Ordinary Shares					
		← of RM1.00 each →			← of RM0.20 each →		
1.1.2014	Acquired	Sold	Upon Share Split#	Acquired	Sold	31.12.2014	

Direct interest:

Datuk Lim Nyuk Sang @ Freddy Lim	184,113,432	-	(1,300,000)	914,067,160	186,850,420	-	1,100,917,580
Wong Len Kee	6,603,217	-	-	33,016,085	-	-	33,016,085

Indirect interest:

Datuk Lim Nyuk Sang @ Freddy Lim	9,649,781	-	-	48,248,905	-	-	48,248,905
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		Number of ICPS					
		← of RM1.00 each →			← of RM0.20 each →		
1.1.2014	Acquired	Sold	Upon Share Split#	Acquired	Sold	31.12.2014	

Indirect interest:

Datuk Lim Nyuk Sang @ Freddy Lim	90,521,739	-	-	452,608,695	-	-	452,608,695
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Sub-division of share from par value of RM1 each to par value of RM0.20 each.

Datuk Lim Nyuk Sang @ Freddy Lim by virtue of his interests in shares in the Company is also deemed interested in shares in all the Company's subsidiaries to the extent the Company has an interest.

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

Share capital

During the financial year:

- (a) 365,525,427 fully paid-up ordinary shares of RM1.00 each of the Company were subdivided into 1,827,627,135 fully paid-up ordinary shares of RM0.20 each. The sub-division was completed on 9 January 2014.
- (b) 100,000,000 fully paid-up Irredeemable Convertible Preference Shares ("ICPS") of RM1.00 each of the Company were subdivided into 500,000,000 fully paid-up ICPS of RM0.20 each. The sub-division was completed on 9 January 2014.
- (c) the Company issued 47,391,305 fully paid-up ordinary shares of RM0.20 each pursuant to the conversion of 47,391,305 ICPS of RM0.20 each.

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

Other statutory information

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant event

In addition to the significant event disclosed elsewhere in this report, other significant events are disclosed in Note 39 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 April 2015.

Datuk Lim Nyuk Sang @ Freddy Lim

Wong Len Kee

Statement By Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Lim Nyuk Sang @ Freddy Lim and Wong Len Kee, being two of the directors of Kretam Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 37 to 135 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 41 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 April 2015.

Datuk Lim Nyuk Sang @ Freddy Lim Wong Len Kee

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Lim Chee Zee, being the officer primarily responsible for the financial management of Kretam Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 136 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Lim Chee Zee at
Sandakan in the State of Sabah on
29 April 2015

Lim Chee Zee

Before me,

Ramsah Binti Hj. Mohd. Taha (No. S-029)
Persuruhjaya Sumpah

Independent Auditors' Report

To the members of Kretam Holdings Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Kretam Holdings Berhad, which comprise statements of the financial position as at 31 December 2014 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 135.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 41 on page 136 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Chong Ket Vui, Dusun
2944/01/17 (J)
Chartered Accountant

Sandakan, Malaysia
29 April 2015

Statements Of Profit Or Loss

For the financial year ended 31 December 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	4	439,555	362,266	143,487	49,302
Cost of sales	5	(356,382)	(286,067)	(30,631)	(32,469)
Gross profit		83,173	76,199	112,856	16,833
Other items of income					
Interest income	6	969	920	680	717
Other income	7	3,362	2,257	2,666	2,547
Other items of expense					
Marketing and distribution costs		(38,904)	(32,673)	(2,072)	(2,123)
Administrative expenses		(19,753)	(21,432)	(6,010)	(6,106)
Finance costs	8	(4,525)	(2,503)	(505)	(717)
Other expense		(2,395)	(2,035)	(15,192)	(5,883)
Profit before tax	9	21,927	20,733	92,423	5,268
Income tax expense	12	(11,168)	(5,540)	(5,367)	(2,480)
Profit net of tax		10,759	15,193	87,056	2,788
Profit attributable to:					
Owners of the Company		10,684	15,043	87,056	2,788
Non-controlling interests		75	150	-	-
		10,759	15,193	87,056	2,788
Earnings per share attributable to owners of the Company (sen per share)					
- Basic	13	0.57	0.82		
- Diluted	13	0.48	0.67		

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

Statements Of Other Comprehensive Income

For the financial year ended 31 December 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit net of tax		10,759	15,193	87,056	2,788
Other comprehensive income:					
Item will not be reclassified subsequently to profit and loss					
- Effect of reduction in tax rate on other comprehensive income	12	-	3,915	-	-
Total comprehensive income for the year		10,759	19,108	87,056	2,788
Total comprehensive income attributable to:					
Owners of the Company		10,684	18,958	87,056	2,788
Non-controlling interests		75	150	-	-
		10,759	19,108	87,056	2,788

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

Consolidated Statement Of Financial Position

As at 31 December 2014

	Note	2014 RM'000	2013 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	544,689	530,422
Investment properties	15	641	646
Biological assets	16	400,134	399,810
Land use rights	17	1,040	1,103
Intangible assets	18	42,777	42,777
Investments in associate	20	-	-
Other receivables	23	5,272	5,272
		994,553	980,030
Current assets			
Inventories	22	102,594	66,430
Trade and other receivables	23	34,223	35,276
Derivatives	24	33	131
Tax recoverable		23,254	27,234
Cash and bank balances	25	61,842	65,595
		221,946	194,666
Total assets		1,216,499	1,174,696
EQUITY AND LIABILITIES			
Current liabilities			
Loans and borrowings	26	86,321	58,149
Trade and other payables	27	55,698	55,693
Derivatives	24	211	592
Income tax payable		28	30
		142,258	114,464
Net current assets		79,688	80,202

Consolidated Statement Of Financial Position

As at 31 December 2014

	Note	2014 RM'000	2013 RM'000
Non-current liabilities			
Deferred tax liabilities	21	93,746	93,919
Loans and borrowings	26	50,550	47,329
		144,296	141,248
Total liabilities		286,554	255,712
Net assets			
		929,945	918,984
Equity attributable to owners of the Company			
Share capital	28	375,003	365,525
Share premium	28	169,593	157,357
Other reserves	29	236,785	257,875
Retained earnings	30	145,759	135,075
		927,140	915,832
Non-controlling interests		2,805	3,152
Total equity		929,945	918,984
Total equity and liabilities		1,216,499	1,174,696

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

Company Statement Of Financial Position

As at 31 December 2014

	Note	31.12.2014 RM'000	31.12.2013 RM'000 (Restated)	1.1.2013 RM'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	14	40,836	42,958	44,737
Biological assets	16	25,542	25,513	24,979
Investments in subsidiaries	19	544,983	559,933	565,638
Other receivables		-	-	2,904
		611,361	628,404	638,258
Current assets				
Inventories	22	748	1,673	2,196
Trade and other receivables	23	261,265	153,887	148,429
Tax recoverable		5,977	7,492	3,876
Cash and bank balances	25	22,494	23,944	29,435
		290,484	186,996	183,936
Total assets		901,845	815,400	822,194
EQUITY AND LIABILITIES				
Current liabilities				
Loans and borrowings	26	2,148	2,282	2,461
Trade and other payables	27	42,704	41,537	49,286
		44,852	43,819	51,747
Net current assets		245,632	143,177	132,189
Non-current liabilities				
Deferred tax liabilities	21	9,177	8,874	8,246
Loans and borrowings	26	2,286	4,857	7,139
		11,463	13,731	15,385
Total liabilities		56,315	57,550	67,132
Net assets		845,530	757,850	755,062
Equity attributable to owners of the Company				
Share capital	28	375,003	365,525	365,525
Share premium	28	169,593	157,357	157,357
Other reserves	29	201,423	222,513	222,513
Retained earnings	30	99,511	12,455	9,667
Total equity		845,530	757,850	755,062
Total equity and liabilities		901,845	815,400	822,194

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

Statements Of Changes In Equity

For the financial year ended 31 December 2014

Group	Equity, total RM'000	Equity attributable to owners of the Company total RM'000				Attributable to owners of the company Non-distributable			Distributable Retained earnings RM'000	Non- controlling interests RM'000
		Share capital RM'000	Share premium RM'000	Other reserves RM'000	Share capital RM'000	Share premium RM'000	Other reserves RM'000			
At 1 January 2014	918,984	915,832	365,525	157,357	257,875	135,075	3,152			
Total comprehensive income	10,759	10,684	-	-	-	10,684	75			
Transaction with owners										
Conversion of ICPS to ordinary shares	624	624	9,478	12,236	(21,090)	-	-			
Dividends paid to non-controlling interests	(422)	-	-	-	-	-	(422)			
Total transactions with owners	202	624	9,478	12,236	(21,090)	-	(422)			
At 31 December 2014	929,945	927,140	375,003	169,593	236,785	145,759	2,805			

Statements Of Changes In Equity

For the financial year ended 31 December 2014

Group	Equity attributable to owners of the company		Attributable to owners of the company				Non-controlling interests RM'000
	Equity, total RM'000	Equity attributable to owners of the Company total RM'000	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Distributable Retained earnings RM'000	
At 1 January 2013	900,097	896,874	365,525	157,357	253,960	120,032	3,223
Other comprehensive income							
Item will not be reclassified subsequently to profit and loss							
- Effect of reduction in tax rate on other comprehensive income	3,915	3,915	-	-	3,915	-	-
Profit net of tax	15,193	15,043	-	-	-	15,043	150
Total comprehensive income	19,108	18,958	-	-	3,915	15,043	150
Transaction with owners							
Dividends paid to non-controlling interests	(221)	-	-	-	-	-	(221)
Total transactions with owners	(221)	-	-	-	-	-	(221)
At 31 December 2013	918,984	915,832	365,525	157,357	257,875	135,075	3,152

Statements Of Changes In Equity

For the financial year ended 31 December 2014

	Equity, total RM'000	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000
		← Non-Distributable →			
Company					
At 1 January 2014					
Previously stated	818,772	365,525	157,357	250,830	45,060
Prior years adjustment (Note 38)	(60,922)	-	-	(28,317)	(32,605)
Restated	757,850	365,525	157,357	222,513	12,455
Transactions with owners					
Conversion of ICPS to ordinary shares	624	9,478	12,236	(21,090)	-
Profit net of tax, representing total comprehensive income	87,056	-	-	-	87,056
At 31 December 2014	845,530	375,003	169,593	201,423	99,511
At 1 January 2013					
Previously stated	815,984	365,525	157,357	250,830	42,272
Prior years adjustment (Note 38)	(60,922)	-	-	(28,317)	(32,605)
Restated	755,062	365,525	157,357	222,513	9,667
Profit net of tax, representing total comprehensive income	2,788	-	-	-	2,788
At 31 December 2013	757,850	365,525	157,357	222,513	12,455

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

Statements Of Cash Flows

For the financial year ended 31 December 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Operating activities					
Profit before tax		21,927	20,733	92,423	5,268
Adjustments for:					
Interest income	6	(969)	(920)	(680)	(717)
Dividend income		-	-	(86,513)	(229)
Net reversal of impairment loss on:					
- amounts due from subsidiaries	7	-	-	(1,645)	(2,296)
Net gain on disposal of plant and equipment	7	(84)	(44)	-	-
Net gain on disposal of subsidiary	7	-	(20)	-	-
Gain on foreign exchange	7	(130)	-	-	-
Amortisation of biological assets	9	219	73	30	-
Amortisation of land use rights	9	63	41	-	-
Bad debts written off	9	118	16	115	-
Depreciation of property, plant and equipment	9	31,670	27,793	3,979	3,926
Depreciation of investment properties	9	5	5	-	-
Finance costs	8	4,525	2,503	505	717
Inventories written down	9	725	621	-	-
Impairment loss on biological assets	9	390	443	159	309
Net fair value (gain)/loss on derivatives	9	(283)	461	-	-
Impairment loss on investment in subsidiaries	9	-	-	14,950	5,705
Plant and equipment scrapped	9	911	30	*	1
Impairment loss on amount due from: associate	9	7	-	7	-
Total adjustments		37,167	31,002	(69,093)	7,416
Operating cash flows before changes in working capital		59,094	51,735	23,330	12,684

Statements Of Cash Flows

For the financial year ended 31 December 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Changes in working capital				
(Increase)/decrease in inventories	(36,889)	21,154	925	523
Decrease/(increase) in trade and other receivables	1,157	(19,936)	21,729	(33,686)
Increase /(decrease) in trade and other payables	5	6,480	(1,176)	(2,291)
Total changes in working capital	(35,727)	7,698	21,478	(35,454)
Cash flows from/(used in) operations	23,367	59,433	44,808	(22,770)
Interest received	870	810	581	607
Interest paid	(4,053)	(1,848)	(33)	(62)
Income taxes paid	(17,833)	(24,530)	(5,338)	(5,468)
Income tax refunded	10,470	1,455	4,789	-
Net cash flows from/(used in) operating activities	12,821	35,320	44,807	(27,693)
Investing activities				
Additional placement of fixed deposits	(328)	(26)	(4)	(2)
Deposits paid for acquisition of property and machinery	-	(5,272)	-	-
Dividend received	-	-	86,513	229
Purchase of property, plant and equipment	(46,853)	(71,855)	(1,857)	(2,148)
Proceeds from disposal of plant and equipment	89	46	-	-
Additions to biological assets	(933)	(2,939)	(218)	(843)
Proceeds from disposal of subsidiaries	-	*	-	-
(Advances to)/repayment from subsidiary companies	-	-	(128,142)	28,080
Net cash flows (used in)/from investing activities	(48,025)	(80,046)	(43,708)	25,316

Statements Of Cash Flows

For the financial year ended 31 December 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financing activities					
Drawdown of bankers' acceptance		238,976	82,024	-	-
Drawdown of term loans		18,050	36,990	-	-
Drawdown of revolving credits		-	12,200	-	-
Repayment of obligations under finance leases		(1,788)	(2,084)	(290)	(616)
Repayment of revolving credits		-	(28,200)	-	-
Repayment of bankers' acceptance		(221,430)	(27,655)	-	-
Dividends paid to non-controlling interest		(422)	(220)	-	-
Dividend paid for ICPS		(2,263)	(2,500)	(2,263)	(2,500)
Proceeds from issuance of ordinary shares		-	*	-	-
Net cash flows from/(used in) financing activities		31,123	70,555	(2,553)	(3,116)
Net (decrease)/increase in cash and cash equivalents		(4,081)	25,829	(1,454)	(5,493)
Cash and cash equivalents at 1 January		64,756	38,927	23,872	29,365
Cash and cash equivalents at 31 December	25	60,675	64,756	22,418	23,872

* Below RM1,000

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

Notes To The Financial Statements

For the financial year ended 31 December 2014

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and the principal place of business of the Company are located at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah.

The principal activities of the Company are the operation of oil palm plantation and investment holding. The principal activities of the subsidiaries and associate are stated in Notes 19 and 20 to the financial statements respectively.

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

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, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2014 as described fully in Note 2.2.

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

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

2.2 Changes in accounting policies

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

On 1 January 2014, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2014.

- Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities
- Amendments to FRS 136: Recoverable Amount Disclosures for Non-financial Assets
- Amendments to FRS 139: Novation of Derivation and Continuation of Hedge Accounting
- IC Interpretation 21: Levies

The nature and impact of the new and amended FRSs and IC Interpretation are described below.

Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and "simultaneous realisation and settlement". These amendments are to be applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under FRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under FRS 10.

Amendments to FRS 136: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to FRS 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. In addition, the amendments introduce additional disclosure requirements when the recoverable amount is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by FRS 13 Fair Value Measurements.

The application of these amendments has no impact on the disclosures in the Group's and the Company's financial statements.

Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measure of hedge effectiveness. Retrospective application is required.

These amendments have no impact on the Group as the Group does not have any derivatives that are subject to novation.

IC Interpretation 21: Levies

IC 21 defines a levy and clarifies that the obligating event which gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. For a levy which is triggered upon reaching a minimum threshold, IC 21 clarifies that no liability should be recognised before the specified minimum threshold is reached. Retrospective application is required. The application of IC 21 has had no material impact on the disclosures or on the amounts recognised in the Group's and the Company's financial statements.

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective

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

Description	Effective for financial periods beginning on or after
Amendments to FRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to FRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to FRSs 2011–2013 Cycle	1 July 2014
Annual Improvements to FRSs 2012–2014 Cycle	1 January 2016
Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 101: Disclosure Initiative	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 14: Regulatory Deferral Accounts	1 January 2016

Amendments to FRS 119: Defined Benefit Plans: Employee Contributions

The amendments to FRS 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. For contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation (continued)

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Amendments to FRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to FRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant FRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to FRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to FRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying FRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of FRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to FRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Amendments to FRS 101: Disclosure Initiatives

The amendments to FRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

FRS 14: Regulatory Deferral Accounts

FRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of FRS. Entities that adopt FRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing FRS preparer, this standard would not apply.

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Annual Improvements to FRSs 2010–2012 Cycle

The Annual Improvements to FRSs 2010-2012 Cycle include a number of amendments to various FRSs, which are summarised below. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

FRS 2: Share-based Payment

This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This improvement is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

FRS 3: Business Combinations

The amendments to FRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of FRS 9 or FRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014.

FRS 8: Operating Segments

The amendments are to be applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in FRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

FRS 116: Property, Plant and Equipment and FRS 138: Intangible Assets

The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Annual Improvements to FRSs 2010–2012 Cycle (continued)

FRS 124: Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

Annual Improvements to FRSs 2011–2013 Cycle

The Annual Improvements to FRSs 2011-2013 Cycle include a number of amendments to various FRSs, which are summarised below. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

FRS 3: Business Combinations

The amendments to FRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively.

FRS 13: Fair Value Measurement

The amendments to FRS 13 clarify that the portfolio exception in FRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of FRS 9 (or FRS 139 as applicable).

FRS 140: Investment Property

The amendments to FRS 140 clarify that an entity acquiring investment property must determine whether:

- the property meets the definition of investment property in terms of FRS 140; and
- the transaction meets the definition of a business combination under FRS 3,

to determine if the transaction is a purchase of an asset or is a business combination.

Annual Improvements to FRSs 2012–2014 Cycle

The Annual Improvements to FRSs 2012-2014 Cycle include a number of amendments to various FRSs, which are summarised below. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Annual Improvements to FRSs 2012–2014 Cycle (continued)

FRS 5: Non-current Assets Held for Sale and Discontinued Operations

The amendment to FRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in FRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

FRS 7: Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in FRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

FRS 119: Employee Benefits

The amendment to FRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

FRS 134: Interim Financial Reporting

FRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Malaysian Financial Reporting Standards (“MFRS Framework”)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”).

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 (“MFRS 141”) and IC Interpretation 15 Agreements for Construction of Real Estate (“IC 15”), including their parent, significant investor and venturer (herein called “Transitioning Entities”).

Transitioning Entities are allowed to defer adoption of the new MFRS Framework and continue to use the existing Financial Reporting Standards framework until the MFRS Framework is mandated by the MASB. According to an announcement made by the MASB on 2 September 2014, all Transitioning Entities shall adopt the MFRS framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2017.

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 December 2017. 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 earnings.

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 project team. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2014 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2017.

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
MFRS 15: Revenue from Contracts with Customers	1 January 2017
MFRS 9: Financial Instruments	1 January 2018

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Malaysian Financial Reporting Standards (“MFRS Framework”) (continued)

Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of MFRS 141 and are measured at fair value less costs to sell.

The amendments are effective for annual periods beginning on or after 1 January 2016 and are to be applied retrospectively, with early adoption permitted. The Directors anticipate that the application of these amendments will have a material impact on the amounts reported and disclosures made in the Group’s and the Company’s financial statements. The Group and the Company are currently assessing the impact of these amendments and plans to adopt the new standard on the required effective date.

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 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 2017 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group’s and the Company’s financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9: Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 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 adoption of MFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but no impact on the classification and measurement of the Group’s financial liabilities.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the reporting date. 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. Specifically, the Group controls and investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) The contractual arrangement with the other vote holders of the investee
- (ii) Rights arising from other contractual arrangements
- (iii) The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2. Summary of significant accounting policies (continued)

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of FRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of FRS 139, it is measured in accordance with the appropriate FRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured a cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2. Summary of significant accounting policies (continued)

2.6 Foreign currency

a) Functional and presentation currency

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

b) Foreign currency transactions

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

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

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

2.7 Current versus non-current classification

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

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

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

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

The Group classifies all other liabilities as non-current.

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

2. Summary of significant accounting policies (continued)

2.8 Fair value measurement

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 34.

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.9 Property, plant and equipment

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

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

Certain property, plant and equipment of certain subsidiaries were revalued in 1996 based on an independent professional valuation using open market values on an existing use basis. The Directors have not adopted a policy of regular revaluation of such assets and no later valuation has been recorded. As permitted under the transitional provision of International Accounting Standard No. 16 (Revised) Property, Plant and Equipment, these assets can continue to be stated on the basis of their previous valuation amounts (subject to continuity in depreciation policy and the requirement to write the assets down to their recoverable amount).

Plantation infrastructure thereon is amortised over the remaining lease term of the land or 10 to 50 years where applicable.

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

- Long term leasehold land	Over remaining lease term of land
- Buildings	2% - 10%
- Motor vehicles	20%
- Computer equipment	20%
- Plant and machinery, oil mill and heavy equipment	7% - 20%
- Furniture, fittings, equipment and renovations	5% - 20%

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

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

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

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

2. Summary of significant accounting policies (continued)

2.10 Biological assets

Biological assets comprise new oil palm planting expenditure and cattle.

(i) New oil palm planting expenditure

Plantation development expenditure incurred from land clearing to the point of harvesting is capitalised. Replanting expenditure which represent cost incurred in replanting old planted areas is charged to the income statement in the year in which it is incurred.

Plantation development expenditure on leasehold land held on long-term leases (with remaining lease period of over 50 years) are not amortised. The non-amortisation of the biological assets has no material effect on the financial statements.

Plantation development expenditure on short leasehold land are amortised over the period of the lease or 50 years where applicable.

(ii) Cattle

All cost incurred on cattle breeder which are accumulated on a project basis, are capitalised until such time when the cattle breeder commence breeding.

Cost incurred on cattle breeder consist of the acquisition cost of the cattle breeder, cost of medication and direct labour. Maintenance cost of cattle breeder after commencement of breeding are recognised in the income statement.

The cost of cattle breeder are amortised over 10 years upon commencement of breeding.

2.11 Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2.9.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.9 up to the date of change in use.

2. Summary of significant accounting policies (continued)

2.12 Land use rights

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

2.13 Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows 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. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in the statement of profit or loss.

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

2. Summary of significant accounting policies (continued)

2.14 Subsidiaries

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

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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

2.15 Investment in associates and joint ventures

An associate is an entity 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of 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 or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. Summary of significant accounting policies (continued)

2.15 Investment in associates and joint ventures (continued)

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies FRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

2.16 Financial instruments – initial recognition and subsequent measurement

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

a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

2. Summary of significant accounting policies (continued)

2.16 Financial instruments – initial recognition and subsequent measurement (continued)

a) Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by FRS 139. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

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

Loans and receivables

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

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 23.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2014 and 2013.

2. Summary of significant accounting policies (continued)

2.16 Financial instruments – initial recognition and subsequent measurement (continued)

a) Financial assets (continued)

Available-for-sale (AFS) financial investments

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

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

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

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

Derecognition

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

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

2. Summary of significant accounting policies (continued)

2.16 Financial instruments – initial recognition and subsequent measurement (continued)

a) Financial assets (continued)

Available-for-sale (AFS) financial investments (continued)

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

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

b) Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2. Summary of significant accounting policies (continued)

2.16 Financial instruments – initial recognition and subsequent measurement (continued)

b) Impairment of financial assets (continued)

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

Available-for-sale (AFS) financial investments

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

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

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

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

2. Summary of significant accounting policies (continued)

2.16 Financial instruments – initial recognition and subsequent measurement (continued)

c) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

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

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 26.

2. Summary of significant accounting policies (continued)

2.16 Financial instruments – initial recognition and subsequent measurement (continued)

c) Financial liabilities (continued)

Financial guarantee contracts

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

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

Derecognition

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

d) Offsetting of financial instruments

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

2.17 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits include short-term deposits pledged to banks, which are subject to an insignificant risk of change in value.

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

2. Summary of significant accounting policies (continued)

2.18 Inventories

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

- Processed crude palm oil and milled oil palm produce: costs of direct materials, direct labour, other direct charges and appropriate proportions of factory overheads. These costs are assigned on weighted average cost method.
- Raw materials for fertilizers production: purchase costs on weighted average cost method.
- Finished goods (fertilizers): costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. These costs are assigned on weighted average cost method.
- Consumable stores: purchase costs and expenses in bringing them into store on a weighted average cost method.
- Oil palm seedling and nurseries: purchase costs and upkeep expenses on a weighted average cost method.

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

2.19 Provisions

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

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

2.20 Employee benefits

Defined contribution plans

The Malaysian companies in the Group make 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. Summary of significant accounting policies (continued)

2.21 Borrowing costs

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

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

2.22 Taxes

a) Current income tax

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

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

b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

2. Summary of significant accounting policies (continued)

2.22 Taxes (continued)

b) Deferred tax (continued)

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

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.23 Irredeemable convertible preference shares (“ICPS”)

The ICPS are regarded as compound instruments, consisting of a liability component and an equity component. The component of ICPS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. On issuance of the ICPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy for other payables set out in Note 2.17. Dividends paid on the ICPS are recognised based on two components: (i) interest expense, charged to profit or loss using the effective interest rate method; and (ii) settlement of the financial liability component of the ICPS.

The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholder’s equity, net of transaction costs.

Transaction costs are apportioned between the liability and equity components of the ICPS based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

2.24 Leases

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

a) As lessee

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

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

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.26 (c).

2. Summary of significant accounting policies (continued)

2.25 Revenue

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

(a) Sale of goods

Revenue from sale of goods is recognised on an accrual basis upon delivery of products to customers, less returns.

(b) Rental income

Rental income from investment properties is accounted for on straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) Dividend income

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

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital and share issuance expenses

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

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

2.28 Contingencies

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

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

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. 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 periods.

Estimates and assumptions

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. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a) Useful lives of plant and equipment

The costs of plant and equipment are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 5 to 15 years. These are common life expectancies applied in the palm oil industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 14.

b) Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 18.

3. Significant accounting judgements and estimates (continued)

c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty; hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The carrying values of deferred tax assets of the Group at 31 December 2014 was RM19,421,989 (2013: RM18,683,873). The recognised tax losses and unabsorbed capital allowances of the Group was RM77,687,956 (2013: RM74,735,492). The unrecognised tax assets of the Group are disclosed in Note 21 to the financial statements.

4. Revenue

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Sales of produces from				
- plantation and mill	123,274	146,816	56,974	49,073
- refinery	316,189	215,377	-	-
Gross dividend income received	-	-	86,513	229
Rental income from investment property	92	73	-	-
	439,555	362,266	143,487	49,302

5. Cost of sales

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cost of sales:				
- plantation and mill	83,065	91,433	30,631	32,469
- refinery	273,304	194,619	-	-
Cost of services rendered	13	15	-	-
	356,382	286,067	30,631	32,469

6. Interest income

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income from:				
Proceeds receivable from disposal of non-current asset	99	110	99	110
Short-term deposits	870	810	581	607
	969	920	680	717

7. Other income

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Recovery of bad debts	821	7	821	7
Net gain on disposal of a subsidiary	-	20	-	-
Net gain on disposal of plant and equipment	84	44	-	-
Rental income	79	82	180	180
Net reversal of impairment loss on - amounts due from subsidiaries (Note 23 (b))	-	-	1,645	2,296
Sales of scrap iron	133	9	-	-
Sales of sludge oil	1,070	789	-	-
Sales of empty fruit bunches, palm fiber and shell	734	622	-	-
Miscellaneous	277	650	20	64
Gain on foreign exchange	130	-	-	-
Equipment hire income	34	34	-	-
	3,362	2,257	2,666	2,547

8. Finance costs

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest expense on:				
Bankers' acceptances	2,399	463	-	-
Revolving credits	-	973	-	-
Bank overdraft	1	22	-	-
ICPS	472	655	472	655
Obligations under finance leases	264	390	33	62
Term loan	2,380	461	-	-
	5,516	2,964	505	717
Less: Interest expense capitalised in assets under construction (Note 14)	(991)	(461)	-	-
	4,525	2,503	505	717

9. Profit before tax

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Auditors' remuneration:				
- statutory audits (current year)	220	212	57	57
- under provision in prior year	4	5	-	1
- other services	166	77	14	10
Employee benefits expense (Note 10)	51,893	48,672	10,666	10,073
Non-executive directors' remuneration (Note 11)	114	114	114	114
Depreciation of property, plant and equipment (Note 14)	31,670	27,793	3,979	3,926
Depreciation of investment properties (Note 15)	5	5	-	-
Amortisation of biological assets	219	73	30	-
Impairment loss on biological assets	390	443	159	309
Inventories written down	725	621	-	-
Amortisation of land use rights	63	41	-	-
Plant and equipment scrapped	911	30	*	1
Loss on foreign exchange	775	149	-	-
Bad debts written off	118	16	115	-
Net fair value (gain)/loss on derivatives	(283)	461	-	-
Net impairment loss on investment in subsidiaries	-	-	14,950	5,705
Rental expenses	3,088	2,139	120	120
Oil palm replanting expenses	7,876	12,159	-	-
Impairment loss on amount due from associate	7	-	7	-

* Below RM1,000

10. Employee benefits expense

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Wages and salaries	49,463	46,475	10,299	9,729
Social security contributions	541	670	36	32
Contributions to defined contribution plan	1,889	1,527	331	312
	51,893	48,672	10,666	10,073

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM3,575,340 (2013: RM3,767,146) and RM40,000 (2013: RM40,000) respectively as further disclosed in Note 11.

11. Directors' remuneration

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Executive:				
Salaries and other emoluments	2,646	2,646	-	-
Fees	40	40	40	40
Bonus	510	681	-	-
Defined contribution plan	379	400	-	-
Total executive directors' remuneration (excluding benefits-kind) (Note 10)	3,575	3,767	40	40
Estimated money value of benefits-in-kind	188	152	-	-
Total executive directors' remuneration (including benefits-kind)	3,763	3,919	40	40
Non-executive:				
Fees	30	30	30	30
Other emoluments	84	84	84	84
Total non-executive directors' remuneration (Note 9)	114	114	114	114
Total directors' remuneration	3,877	4,033	154	154

11. Directors' remuneration (continued)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Executive:				
Salaries and other emoluments	2,646	2,646	-	-
Fees	40	40	40	40
Bonus	510	681	-	-
Defined contribution plan	379	400	-	-
<hr/>				
Total executive directors' remuneration (excluding benefits-kind)	3,575	3,767	40	40
Estimated money value of benefits-in-kind	188	152	-	-
<hr/>				
Total executive directors' remuneration (including benefits-kind)	3,763	3,919	40	40
<hr/>				
Non-executive:				
Fees	30	30	30	30
Other emoluments	84	84	84	84
<hr/>				
Total non-executive directors' remuneration	114	114	114	114
<hr/>				
Total directors' remuneration	3,877	4,033	154	154

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

	Number of Directors	
	2014	2013
Executive Directors:		
RM550,001 - RM600,000	2	1
RM600,001 - RM650,000	-	1
RM700,001 - RM750,000	1	1
RM1,850,001 - RM1,900,000	1	1
Non-Executive Directors:		
Below RM50,000	3	3

12. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Statement of comprehensive income:				
Current income tax:				
- On results for the year	11,361	6,740	2,059	2,065
- Amount payable to a wholly-owned subsidiary in respect of tax saved by group relief	-	-	3,000	-
- (Over)/under provision in respect of previous years	(20)	(236)	5	(213)
	11,341	6,504	5,064	1,852
Deferred income tax (Note 21):				
- Origination and reversal of temporary differences	1,534	1,065	284	872
- (Over)/under provision in respect of previous years	(1,503)	195	37	145
- Effects of reduction in tax rate	(204)	(2,224)	(18)	(389)
	(173)	(964)	303	628
Income tax expense recognised in profit or loss	11,168	5,540	5,367	2,480
Deferred income tax related to other comprehensive income:				
- Effect of reduction in tax rate	-	(3,915)	-	-

12. Income tax expense (continued)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before tax	21,927	20,733	92,423	5,268
Tax at statutory tax rate of 25% (2013: 25%)	5,482	5,183	23,106	1,317
Adjustments:				
Non-deductible expenses	1,124	2,142	4,507	2,264
Income not subject to taxation	(267)	(645)	(22,270)	(644)
Effects on reduction in tax rate	(204)	(2,224)	(18)	(389)
Benefits from previously unrecognised tax losses and capital allowances	-	(272)	-	-
Deferred tax assets not recognised	5,973	1,461	-	-
(Over)/under provision in previous years				
- income tax	(20)	(236)	5	(213)
- deferred tax	(1,503)	195	37	145
Utilisation of previously unrecognised reinvestment allowance	-	(64)	-	-
Derecognised of deferred tax liabilities in relation to the assets rationalisation	583	-	-	-
Income tax expense recognised in profit or loss	11,168	5,540	5,367	2,480

Current income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. It is expected that the statutory tax rate will be reduced from the current year's rate of 25% to 24% with effect from the year of assessment 2016.

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Tax savings during the financial year arising from:				
Utilisation of previous years' unabsorbed capital allowances	2,627	5	-	-
Utilisation of group relief	-	-	3,000	-
Unutilised tax losses carried forward	152,157	136,941	-	-
Unabsorbed agriculture and capital allowances carried forward	100,245	66,922	-	-
Unutilised reinvestment allowance carried forward	5,256	5,256	-	-

13. Earnings per share (“EPS”)

Basic EPS is calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted EPS is calculated by dividing profit for the year, net of tax, attributable to owners of the Company (after adjusting for interest expense on Irredeemable Convertible Preference Shares (“ICPS”)) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic and diluted EPS:

	Group	
	2014 RM'000	2013 RM'000
Profit net of tax attributable to owners of the Company used in the computation of basic EPS	10,684	15,043
Interest expense on ICPS (Note 8)	472	655
Profit net of tax attributable to owners of the Company used in the computation of diluted EPS	11,156	15,698

	Group	
	2014 Number of share '000	2013 Number of share '000
Weighted average number of ordinary shares for basic EPS computation	1,862,034	1,827,627
Effects of dilution:		
- ICPS	452,609	500,000
Weighted average number of ordinary shares for diluted EPS computation	2,314,643	2,327,627

14. Property, plant and equipment

Group	Long term leasehold land RM'000	Plantation infrastructure RM'000	Buildings RM'000	Motor vehicles RM'000	Plant and machinery, oil mill and heavy equipment RM'000	Furniture, fittings, computer equipment and renovations RM'000	Capital work-in-progress RM'000	Total RM'000
Deemed cost								
At 1 January 2013	223,777	41,306	158,102	34,226	162,211	7,262	19,967	646,851
Additions	-	514	1,654	1,942	2,008	1,087	64,650	71,855
Disposals	-	-	-	(157)	(40)	(3)	-	(200)
Scrapped	-	-	(33)	(1,118)	(348)	(150)	-	(1,649)
Reclassifications	-	255	5,537	164	803	-	(6,759)	-
At 31 December 2013 and 1 January 2014	223,777	42,075	165,260	35,057	164,634	8,196	77,858	716,857
Additions	-	452	1,578	2,117	9,033	456	33,217	46,853
Disposals	-	-	-	(305)	-	-	-	(305)
Scrapped	-	-	(1,322)	(407)	(1)	(799)	-	(2,529)
Reclassifications	-	6,330	19,543	4,603	66,854	5	(97,335)	-
At 31 December 2014	223,777	48,857	185,059	41,065	240,520	7,858	13,740	760,876

14. Property, plant and equipment (continued)

	Long term leasehold land RM'000	Plantation infrastructure RM'000	Buildings RM'000	Motor vehicles RM'000	Plant and machinery, oil mill and heavy equipment RM'000	Furniture, fittings, computer equipment and renovations RM'000	Capital work-in-progress RM'000	Total RM'000
Group (continued)								
Accumulated depreciation								
At 1 January 2013	11,703	2,283	58,953	23,914	59,085	4,521	-	160,459
Depreciation charge for the year	2,830	1,649	8,935	3,752	9,945	682	-	27,793
Disposals	-	-	-	(156)	(40)	(2)	-	(198)
Scrapped	-	-	(15)	(1,117)	(343)	(144)	-	(1,619)
At 31 December 2013 and 1 January 2014	14,533	3,932	67,873	26,393	68,647	5,057	-	186,435
Depreciation charge for the year	2,695	2,122	9,911	3,893	12,355	694	-	31,670
Disposals	-	-	-	(300)	-	-	-	(300)
Scrapped	-	-	(559)	(353)	-	(706)	-	(1,618)
At 31 December 2014	17,228	6,054	77,225	29,633	81,002	5,045	-	216,187
Net carrying amount								
At 31 December 2013	209,244	38,143	97,387	8,664	95,987	3,139	77,858	530,422
At 31 December 2014	206,549	42,803	107,834	11,432	159,518	2,813	13,740	544,689

14. Property, plant and equipment (continued)

Company	Long term leasehold land RM'000	Plantation infrastructure RM'000	Buildings RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Office equipment and furniture RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1 January 2013	19,560	17,073	12,786	3,447	8,614	786	229	62,495
Additions	-	514	292	93	321	72	856	2,148
Disposal	-	-	-	(88)	(40)	(3)	-	(131)
Reclassified	-	255	530	-	230	-	(1,015)	-
At 31 December 2013 and 1 January 2014	19,560	17,842	13,608	3,452	9,125	855	70	64,512
Additions	-	89	69	549	659	12	479	1,857
Scrapped	-	-	-	-	-	(3)	-	(3)
At 31 December 2014	19,560	17,931	13,677	4,001	9,784	864	549	66,366
Accumulated depreciation								
At 1 January 2013	2,964	1,618	4,377	2,610	5,672	517	-	17,758
Depreciation charge for the year	197	1,117	1,225	425	892	70	-	3,926
Disposal	-	-	-	(88)	(40)	(2)	-	(130)
At 31 December 2013 and 1 January 2014	3,161	2,735	5,602	2,947	6,524	585	-	21,554
Depreciation charge for the year	197	1,490	1,264	240	708	80	-	3,979
Scrapped	-	-	-	-	-	(3)	-	(3)
At 31 December 2014	3,358	4,225	6,866	3,187	7,232	662	-	25,530
Net carrying amount								
At 31 December 2013	16,399	15,107	8,006	505	2,601	270	70	42,958
At 31 December 2014	16,202	13,706	6,811	814	2,552	202	549	40,836

14. Property, plant and equipment (continued)

(i) Assets held under finance leases

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Plant and machinery	1,330	1,809	152	317
Motor vehicles	2,117	3,638	196	306
	3,447	5,447	348	623

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 32(b).

(ii) Assets pledged as security

In addition to assets held under finance leases, the Group's property, plant and equipment pledged as securities for the Group's bank loans (Note 27) are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Long term leasehold land	30,677	62,032	16,202	16,399
Plantation infrastructure	14,933	21,840	13,706	15,107
Buildings, plant and machinery	76,241	74,745	-	-
	121,851	158,617	29,908	31,506

(iii) Capitalisation of borrowing costs

The Group's capital work-in-progress include borrowing costs arising from term loans borrowed specifically for the purpose of the construction of a bio-waste treatment composting plant. During the financial year, borrowing costs capitalised amounted to RM991,040 (2013: RM460,927).

15. Investment properties

	Group	
	2014 RM'000	2013 RM'000
Cost		
At 1 January and 31 December	750	750
Accumulated depreciation		
At 1 January	104	99
Depreciation for the year	5	5
At 31 December	109	104
Net carrying amount		
At 31 December	641	646
Fair value	1,500	1,500

Fair value measurement hierarchy for investment properties are provided in Note 33. The valuation of investment properties are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2014 RM'000	2013 RM'000
Rental income	92	73
Direct operating expenses – income generating properties	(13)	(15)

16. **Biological assets**

	Plantation development expenditure RM'000	Cattle breeder RM'000	Total RM'000
Group			
Deemed cost			
At 1 January 2013	394,719	3,492	398,211
Additions	206	2,733	2,939
At 31 December 2013 and 1 January 2014	394,925	6,225	401,150
Additions	-	933	933
At 31 December 2014	394,925	7,158	402,083
Accumulated amortisation and Impairment loss			
At 1 January 2013	374	450	824
Amortisation charge for the year	73	-	73
Impairment loss	-	443	443
At 31 December 2013 and 1 January 2014	447	893	1,340
Amortisation charge for the year	67	152	219
Impairment loss	-	390	390
At 31 December 2014	514	1,435	1,949
Net carrying amount			
At 31 December 2013	394,478	5,332	399,810
At 31 December 2014	394,411	5,723	400,134

16. **Biological assets (continued)**

	Plantation development expenditure RM'000	Cattle breeder RM'000	Total RM'000
Company			
Cost			
At 1 January 2013	24,169	1,176	25,345
Additions	206	637	843
At 31 December 2013 and 1 January 2014	24,375	1,813	26,188
Additions	-	218	218
At 31 December 2014	24,375	2,031	26,406
Accumulated impairment loss			
At 1 January 2013	-	366	366
Impairment loss	-	309	309
At 31 December 2013	-	675	675
Amortisation charge for the year	-	30	30
Impairment loss	-	159	159
At 31 December 2014	-	864	864
Net carrying amount			
At 31 December 2013	24,375	1,138	25,513
At 31 December 2014	24,375	1,167	25,542

The net carrying amounts of plantation development expenditure of the Group and of the Company pledged as securities for borrowings (Note 26) are RM155,865,277 (2013: RM188,446,522) and RM24,375,091 (2013: RM24,375,091) respectively.

17. Land use rights

	Group	
	2014 RM'000	2013 RM'000
Cost:		
At 1 January and 31 December	1,474	1,474
Accumulated amortisation:		
At 1 January	371	330
Amortisation charge for the year	63	41
At 31 December	434	371
Net carrying amount		
At 31 December	1,040	1,103
Amount to be amortised:		
- Not later than one year	63	41
- Later than one year but not later than five years	252	164
- Later than five years	725	898
	1,040	1,103

18. Intangible assets**Goodwill**

At 1 January and 31 December	42,777	42,777
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Net carrying amount of goodwill on business acquisition is related to the acquisition of plantation operations in prior years. The Group performed its annual impairment test in December 2014 and 2013. The recoverable amount of the cash-generating units containing goodwill amounted to RM1.2 billion as at 31 December 2014 was determined based on fair value less costs of disposal ("FVLCD") using the market approach, whereas no value in use be calculate as the FVLCD is greater than the asset's carrying amount. The fair value measurement was categorized as a Level 3 fair value based on inputs in the valuation techniques used.

18. Intangible assets (continued)

Based on the impairment assessment performed by the Group, no impairment is required for the goodwill.

Key assumption used in the fair value less costs of disposal calculation is as follows:

Average selling price per hectare	RM77,670
Incidental costs of disposal	RM42 million

There will be no impact to the Group's results if the average selling price per hectare is reduced by 5% with all other variables being held constant.

19. Investments in subsidiaries

	Company	
	2014 RM'000	2013 RM'000
Unquoted shares		
Cost		
At 1 January		
- Previously stated	656,941	656,941
- Prior year adjustments (Note 38)	(68,328)	(68,328)
Restated, at 1 January and 31 December	588,613	588,613
Accumulated impairment losses		
At 1 January		
- Previously stated	36,086	30,381
- Prior year adjustments (Note 38)	(7,406)	(7,406)
Restated	28,680	22,975
Allowance of impairment losses	14,950	5,705
At 31 December	43,630	28,680
Net carrying amount		
At 31 December	544,983	559,933

19. Investments in subsidiaries (continued)

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:

Name	Principal activities	Proportion (%) of ownership interest		Proportion (%) ownership interest by non-controlling interest	
		2014	2013	2014	2013
Held by the Company					
Syarikat Kretam Plantations Sdn. Bhd.	Cultivation of oil palm	100	100	-	-
Syarikat Kretam Mill Sdn. Bhd.	Milling and sale of oil palm products	100	100	-	-
Winpalm Development Sdn. Bhd.	Cultivation of oil palm	51	51	49	49
Abedon Sdn. Bhd.	Cultivation of oil palm and investment holding	100	100	-	-
Green Edible Oil Sdn. Bhd.	Refining of palm oil and manufacturing of bio fuels	100	100	-	-
Palm Products International Alliance Sdn. Bhd.	Marketing agent for processed palm oil	100	100	-	-
Kretam Management Sdn. Bhd.	Provision of plantation management and related services	100	100	-	-
KHB Realty Sdn. Bhd.	Property letting	100	100	-	-
KHB Telecommunications Sdn. Bhd.	Provision of data processing services	100	100	-	-
KHB Development Sdn. Bhd.	Investment holding	100	100	-	-
KHB Management Sdn. Bhd.	Investment holding	100	100	-	-
KHB Nanyang (Malaysia) Sdn. Bhd.	Investment holding	100	100	-	-
Kretam Renewable Resources Sdn. Bhd.	Dormant	100	100	-	-

19. Investments in subsidiaries (continued)

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows (continued):

Name	Principal activities	Proportion (%) of ownership interest		Proportion (%) ownership interest by non-controlling interest	
		2014	2013	2014	2013
Held by the Company (continued)					
Syarikat Capakaya Sdn. Bhd.	Investment holding	100	100	-	-
KM Plantations Sdn. Bhd.	Dormant	100	100	-	-
Syarikat Kretam Ladang Sdn. Bhd.	Dormant	100	100	-	-
Kretam Renewable Energy Sdn. Bhd.	Biogas power plant #	100	100	-	-
KHB Construction Sdn. Bhd.	Dormant	100	100	-	-
KHB-Jeffa Project Management Sdn. Bhd.	Dormant	100	100	-	-
KHB Project Management Sdn. Bhd.	Dormant	100	100	-	-
KHB Properties Sdn. Bhd.	Dormant	100	100	-	-
KHB Nusantara Sdn. Bhd.	Manufacturing and sales of fertilizers #	100	100	-	-
Innosabah Capital Holdings Sdn. Bhd.	Investment holding	100	100	-	-
Usaha Dimega Sdn. Bhd.	Dormant	66.7	66.7	33.3	33.3
Subsidiary of KHB Nanyang (Malaysia) Sdn. Bhd.					
Rising Resources Sdn. Bhd.	Dormant	91.7	91.7	8.3	8.3
Subsidiary of KHB Development Sdn. Bhd.					
Jeffa Construction Sdn. Bhd.	Dormant	51	51	49	49

19. Investments in subsidiaries (continued)

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows (continued):

Name	Principal activities	Proportion (%) of ownership interest		Proportion (%) ownership interest by non-controlling interest	
		2014	2013	2014	2013
Subsidiaries of Innosabah Capital Holdings Sdn. Bhd.					
Innosabah Resources Sdn. Bhd.	Dormant	100	100	-	-
Innosabah Development Sdn. Bhd.	Dormant	100	100	-	-
Innosabah Equity Management Sdn. Bhd.	Dormant	100	100	-	-
Innosabah Ventures Sdn. Bhd.	Dormant	100	100	-	-
Subsidiary of Jeffa Construction Sdn. Bhd.					
Pandan Place Development Sdn. Bhd.	Dormant	51	51	49	49
Subsidiary of KHB Realty Sdn. Bhd.					
Sri Timbul Sdn. Bhd.	Property holding	100	100	-	-
Subsidiary of Syarikat Capakaya Sdn. Bhd.					
Pupuk Borneo Sdn. Bhd.	Granulating, blending and distribution of fertilizer	100	100	-	-

19. Investments in subsidiaries (continued)

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows (continued):

Name	Principal activities	Proportion (%) of ownership interest		Proportion (%) ownership interest by non-controlling interest	
		2014	2013	2014	2013
Subsidiaries of Abedon Sdn. Bhd.					
Abedon Oil Mill Sdn. Bhd.	Milling and sale of oil palm products	100	100	-	-
Bumiwealth Sdn. Bhd.	Cultivation of oil palm**	100	100	-	-
Tioman Baru Sdn. Bhd.	Cultivation of oil palm**	100	100	-	-
Abedon Enviro Sdn. Bhd.	Manufacture of bio-organic fertilizers	70	70	30	30

Not commenced operation yet

** Ceased operation during the year

(a) Acquisition and disposal in 2013

Acquisition of subsidiary

On 27 March 2013, Kretam Management Sdn. Bhd., a wholly-owned subsidiary of the Company subscribed for 3 ordinary shares of RM1 each representing 50% equity interest in Usaha Dimega Sdn. Bhd. ("UDSB"), a company in which another wholly-owned subsidiary of the Company, KHB Management Sdn. Bhd. already holds 16.67%. After the subscription, the Group holds 66.7% equity interest in UDSB.

Disposal of subsidiary

In the previous financial year, the Group disposed its entire equity interest in Natural Objective Sdn. Bhd. for a total cash consideration of RM2. The disposal had no significant effects on the financial position of the Group as at the end of the year.

19. Investments in subsidiaries (continued)

(b) Non-controlling interest in subsidiaries

The non-controlling interests in respect of the subsidiaries of the Group are not material to the financial position of the Group except for Abedon Enviro Sdn. Bhd. and Winpalm Development Sdn. Bhd.. The summarised financial information of this subsidiary based on amounts before inter-company eliminations is provided below.

	Abedon Enviro Sdn. Bhd.		Winpalm Development Sdn Bhd	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(i) Summarised statements of financial position:				
Non-current assets	12,165	9,869	1,279	1,316
Current assets	207	269	712	989
Total assets	12,372	10,138	1,991	2,305
Current liabilities	(6,911)	(5,047)	(99)	(160)
Non-current liabilities	(6,562)	(5,586)	(190)	(195)
Total liabilities	(13,473)	(10,633)	(289)	(355)
Total equity	(1,101)	(495)	1,702	1,950
Attributable to:				
Equity holders of the Company	(771)	(347)	868	994
Non-controlling interests	(330)	(148)	834	956
(ii) Summarised statements of profit or loss and other comprehensive income:				
Revenue	780	-	1,678	1,507
Profit/(Loss) for the year	(605)	(319)	614	509
Total comprehensive profit/(loss)	(605)	(319)	614	509
Attributable to non-controlling interests	(181)	(96)	301	249
(iii) Summarised cash flows information:				
Operating	524	976	651	783
Investing	(2,510)	(4,984)	-	-
Financing	1,914	3,126	(862)	(449)
Net decrease in cash and cash equivalents	(72)	(882)	(211)	334

20. Investment in associate

	Group	
	2014 RM'000	2013 RM'000
Unquoted shares in Malaysia, at cost	2,450	2,450
Share of post-acquisition reserves	(2,450)	(2,450)
	-	-

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

Name	Principal activities	Proportion (%) of ownership interest	
		2014	2013
Held through subsidiary (KHB Properties Sdn. Bhd.):			
Pantai Dalam Development Sdn. Bhd.	Dormant	49	49

The Group has not recognised losses relating to Pantai Dalam Development Sdn. Bhd. since its share of losses exceeded the Group's interest in this associate. The Group's cumulative share of unrecognised share of losses at the reporting date was RM2,146,525 (2013: RM2,147,372), of which RM847 (2013: RM1,218) was the share of the current year's profit/(losses). The Group has no obligation in respect of these losses.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2014 RM'000	2013 RM'000
Assets and liabilities:		
Total assets	*	*
Total liabilities	(4,381)	(4,382)
Results:		
Revenue	4	-
Profit/(loss) for the year	2	(2)

* Below RM1,000

21. **Deferred tax**

Deferred income tax as 31 December relates to the following:

	As at 1 January 2013 RM'000	Recognised in other comprehensive income RM'000	Recognised in profit or loss RM'000	As at 31 December 2013 RM'000	Recognised in profit or loss RM'000	As at 31 December 2014 RM'000
Group						
Deferred tax liabilities:						
Property, plant and equipment	115,500	(3,915)	2,611	114,196	(15)	114,181
Deferred tax assets:						
Unabsorbed capital and agriculture allowances	(12,829)	-	(4,000)	(16,829)	(834)	(17,663)
Unutilised tax losses	(1,795)	-	(59)	(1,854)	95	(1,759)
Irredeemable convertible preference shares	(2,078)	-	484	(1,594)	581	(1,013)
	(16,702)	-	(3,575)	(20,277)	(158)	(20,435)
Company						
Deferred tax liabilities:						
Property, plant and equipment	10,324	-	144	10,468	(278)	10,190
Deferred tax assets:						
Irredeemable convertible preference shares	(2,078)	-	484	(1,594)	581	(1,013)
	8,246	-	628	8,874	303	9,177

21. Deferred tax (continued)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2014 RM'000	2013 RM'000
Unutilised tax losses	145,121	129,839
Unabsorbed capital allowances	29,593	20,983
Unutilised reinvestment tax allowances	5,256	5,256
	179,970	156,078

The unutilised tax losses and unabsorbed agriculture and capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

22. Inventories

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At cost:				
Crude palm oil	40,495	31,452	-	-
Palm kernels	1,122	1,248	-	-
Refined palm oil	39,431	16,294	-	-
Fertilizers and chemicals	1,046	2,861	170	1,348
Store, spares and consumable supplies	4,364	2,914	143	98
Oil palm seedlings and nurseries	1,114	998	-	2
Culverts	436	224	435	225
Sludge oil	-	84	-	-
Raw materials for fertilizers	8,329	10,355	-	-
	96,337	66,430	748	1,673
At net realisable value:				
Refined palm oil	6,257	-	-	-
	102,594	66,430	748	1,673

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and Company were RM325,039,518 (2013: RM223,702,164) and RM11,049,930 (2013: RM13,857,435) respectively.

23. Trade and other receivables

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current				
Trade receivables				
Subsidiary	-	-	12,856	30,907
Third parties	28,932	29,897	27	8
	28,932	29,897	12,883	30,915
Less: Allowance for impairment	(3,638)	(3,693)	-	-
Trade receivables, net	25,294	26,204	12,883	30,915
Other receivables				
Amounts due from related parties:				
Subsidiaries	-	-	332,351	207,120
Associate	3,684	3,682	3,676	3,674
	3,684	3,682	336,027	210,794
Deposits	1,084	983	42	42
Prepayments	1,374	1,305	108	140
Other receivables	11,569	11,877	3,110	4,539
	17,711	17,847	339,287	215,515
Less: Allowance for impairment				
- Subsidiaries	-	-	(84,229)	(85,874)
- Associate	(3,684)	(3,677)	(3,676)	(3,669)
- Other receivables	(5,098)	(5,098)	(3,000)	(3,000)
	(8,782)	(8,775)	(90,905)	(92,543)
Other receivables, net	8,929	9,072	248,382	122,972
Total current	34,223	35,276	261,265	153,887
Non-current				
Other receivables				
Sundry receivables	-	-	-	-
Deposits and prepayments	5,272	5,272	-	-
	5,272	5,272	-	-
Total trade and other receivables (current and non-current)	39,495	40,548	261,265	153,887
Add: Cash and bank balances (Note 25)	61,842	65,595	22,494	23,944
Less: Prepayments and non-refundable deposits	(6,646)	(6,577)	(108)	(140)
Total loans and receivables	94,691	99,566	283,651	177,691

23. Trade and other receivables (continued)

(a) Trade receivables

Trade receivables were non-interest bearing were generally on 7 to 30 days terms. They were recognised at their original invoice amounts which represented their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Neither past due nor impaired	25,294	26,204	12,883	30,915
Impaired	3,638	3,693	-	-
	28,932	29,897	12,883	30,915

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

The Group and the Company do not have any trade receivables that are past due at the reporting date but not impaired.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired			
	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables - nominal amounts	3,638	3,693	-	-
Less: Allowance for impairment	(3,638)	(3,693)	-	-
At 31 December	-	-	-	-

23. Trade and other receivables (continued)

(a) Trade receivables (continued)

Movement in allowance accounts:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	3,693	3,693	-	-
Bad debts written off against provision	(55)	-	-	-
At 31 December	3,638	3,693	-	-

(b) Amounts due from subsidiaries and associate (non-trade)

Amounts due from subsidiaries and associate are non-interest bearing and are repayable on demand. All related parties receivable are unsecured and are to be settled in cash.

Receivables that are impaired

At the reporting date, the movement of the allowance accounts used to record the impairment of the Group and of the Company's unsecured loan to its associate and subsidiaries are as follows:

Movement in allowance accounts:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	3,677	3,677	89,543	91,839
Charge for the year (Note 9)	7	-	7	-
Net reversal of impairment loss (Note 7)	-	-	(1,645)	(2,296)
At 31 December	3,684	3,677	87,905	89,543

(c) Other receivables

Other receivables that are impaired

There have been no movement for the Group and the Company in this allowance account for the financial year ended 31 December 2014 and 2013.

(d) Deposits and prepayments (Non-current)

Included in deposit and prepayments is an amount of RM4,532,460 (2013: RM4,532,460) which represents prepayments made for the acquisition of a parcel of industrial land. The issuance of land title is pending approval by the relevant authority and is expected to be completed by 2016.

24. Derivatives

	2014			2013		
	Contract/ Notional Amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Assets RM'000	Liabilities RM'000
Group						
Forward currency contracts	26,738	-	(173)	53,515	-	(592)
Futures contracts - Crude Palm Oil	1,854	33	(38)	13,100	131	-
Total financial assets/(liabilities) at fair value through profit or loss		33	(211)		131	(592)

Forward currency contracts are used to hedge the foreign currency risk arising from the Group's sales denominated in USD for which firm commitments existed at the end of the reporting period, extending to January 2015 (Note 35 (d)).

The futures contracts are used to hedge price fluctuation of crude palm oil. Most of the futures contracts have maturities of less than three months after the end of the reporting period.

During the financial year, the Group recognised a gain of RM381,378 (2013: loss of RM592,278) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 34.

25. Cash and bank balances

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash at banks and on hand	32,844	28,822	6,454	5,764
Short term deposits with licensed banks	28,998	36,773	16,040	18,180
Cash and bank balances	61,842	65,595	22,494	23,944
Short term deposits with licensed banks with maturity: - more than 3 months	(1,167)	(839)	(76)	(72)
Cash and cash equivalents	60,675	64,756	22,418	23,872

25. Cash and bank balances (continued)

The short term deposits earn interest at the respective banks' short-term deposit rates. They are made for varying periods of between one day to twelve months depending on the immediate cash requirements of the Group. The weighted average effective interest rates as at 31 December 2014 for the Group was 3.23% (2013: 3.03%).

Short-term deposits with licensed banks of the Group and the Company amounting to RM379,434 (2013: RM2,747,362) and RM79,434 (2013: RM2,747,362) respectively are pledged as securities for trade financing facilities. The pledged short-term deposits are not available for general use.

26. Loans and borrowings

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current				
Unsecured:				
Irredeemable convertible preference shares	1,949	1,992	1,949	1,992
Secured:				
Bankers' acceptance	71,915	54,369	-	-
Obligations under finance leases (Note 32(b))	1,520	1,788	199	290
Bank loan 1 - RM loan at COF + 1.0% p.a.	937	-	-	-
Bank loan 2 - RM loan at COF + 1.0% p.a.	10,000	-	-	-
	84,372	56,157	199	290
	86,321	58,149	2,148	2,282
Non-current				
Unsecured:				
Irredeemable convertible preference shares	2,104	4,476	2,104	4,476
Secured:				
Obligations under finance leases (Note 32(b))	1,883	3,403	182	381
Bank loan 1 - RM loan at COF + 1.0% p.a.	6,563	5,586	-	-
Bank loan 2 - RM loan at COF + 1.0% p.a.	40,000	33,864	-	-
	48,446	42,853	182	381
	50,550	47,329	2,286	4,857
Total loans and borrowings	136,871	105,478	4,434	7,139

26. Loans and borrowings (continued)

The remaining maturities of the loans and borrowings as at 31 December are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
On demand or within one year	86,321	58,149	2,148	2,282
More than 1 year and less than 2 years	14,390	14,609	2,246	2,351
More than 2 years and less than 5 years	33,347	30,884	40	2,506
5 years or more	2,813	1,836	-	-
	136,871	105,478	4,434	7,139

Irredeemable Convertible Preference Share ("ICPS")

The amount of ICPS recognised in the statements of financial position as at 31 December may be analysed as follows:

	Group and Company			
	Number of ICPS		Amount	
	2014 RM0.20 each '000	2013 RM1 each '000	2014 RM'000	2013 RM'000
Nominal value –				
issued and fully paid				
At 1 January	100,000	100,000	100,000	100,000
Sub-division during the year	400,000	-	-	-
Conversion of ICPS to ordinary shares	(47,391)	-	(9,478)	-
At 31 December	452,609	100,000	90,522	100,000
Share premium				
At 1 January			130,000	130,000
Conversion of ICPS to ordinary shares			(12,322)	-
At 31 December			117,678	130,000

During the financial year:

- 100,000,000 fully paid-up ICPS of RM1.00 each of the Company were subdivided into 500,000,000 fully paid-up ICPS of RM0.20 each. The sub-division was completed on 9 January 2014.
- the Company issued 47,391,305 fully paid-up ordinary shares of RM0.20 each pursuant to the conversion of 47,391,305 ICPS of RM0.20 each.

26. Loans and borrowings (continued)

Irredeemable Convertible Preference Share ("ICPS") (continued)

The salient features of the ICPS issued by the Company are as follows:

- (a) The ICPS were issued at RM2.30 each and are convertible at the option of the holders into ordinary shares from June 2012 (six months from date of issuance) until its maturity date on the basis of one ordinary share for each ICPS held.
- (b) The ICPS carry a dividend of 2.5% per annum, calculated based on the nominal value of RM0.20 per ICPS outstanding as at each anniversary of their issuance.
- (c) The ICPS holders do not carry any right to vote at any general meeting of the Company except amongst others, with regard to any proposal to wind-up the Company, during the winding-up of the Company and on any proposal that affects the rights and privileges of the ICPS holders. In such case, the ICPS holders shall be entitled to vote together with the holders of ordinary shares and to have one vote for each ICPS held.
- (d) In the event of the winding-up of the Company, the holders of the ICPS shall be entitled to a return of capital together with any arrears of dividend (whether earned or declared or not) calculated to the date of such payment in priority to the claims of the holders of ordinary shares, but shall have no other right to participate in the assets or profit of the Company.
- (e) Any outstanding ICPS which have not been converted shall automatically be converted into new ordinary shares upon maturity.

The carrying amount of the liability component of ICPS is arrived at as follows:

	Group and Company RM'000
Face value of ICPS	230,000
Equity component	
- Equity component, net of deferred tax	(222,513)
- Deferred tax assets	2,495
	(220,018)
Liability component of ICPS on initial recognition	9,982

26. Loans and borrowings (continued)

Irredeemable Convertible Preference Share ("ICPS") (continued)

	Group and Company	
	2014 RM'000	2013 RM'000
Liability component on initial recognition	9,982	9,982
Conversion of ICPS to ordinary shares	(624)	-
	9,358	9,982
Interest expense recognised in profit or loss:		
At 1 January	1,486	831
Recognised during the year (Note 8)	472	655
At 31 December	1,958	1,486
Dividend paid:		
At 1 January	(5,000)	(2,500)
Paid during the year	(2,263)	(2,500)
At 31 December	(7,263)	(5,000)
Liability component at 31 December	4,053	6,468

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 15). The average discount rate implicit in the leases is 6.53% p.a. (2013: 6.37% p.a.). These obligations are denominated in Ringgit Malaysia (RM).

Bankers' acceptance

This is denominated in RM, short term in nature and is secured by legal charges over certain leasehold plantations of subsidiaries and a leasehold land of the Company together with the corporate guarantee given by the Company. The weighted average effective interest rate is 3.86% (2013: 3.71%) per annum.

RM loans at COF + 1.0% p.a.

(a) Bank loan 1

This loan is secured by an all monies' Facilities Agreement Stamped to the amount of facilities advanced, special debenture over the bio-waste treatment composting plant to be developed by a subsidiary and corporate guarantee given by the Company. The term loan is repayable over a period of 10 years.

(b) Bank loan 2

The loan is secured by several legal charges over certain leasehold plantations of subsidiaries and a leasehold land of the Company together with the corporate guarantee given by the Company.

The term loan was obtained for the purpose of part finance the upgrading the Group's refinery and is repayable over a period of 6 years.

27. Trade and other payables

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current				
Trade payables				
Subsidiary	-	-	2,254	-
Suppliers and third parties	15,567	15,378	455	896
	15,567	15,378	2,709	896
Other payables				
Amounts due to subsidiaries	-	-	37,433	37,344
Deposit	184	179	-	-
Accruals	10,304	10,508	381	613
Sundry payables	24,878	24,367	2,127	2,386
Retention sum payable to contractors	4,765	5,261	54	298
	40,131	40,315	39,995	40,641
Total current	55,698	55,693	42,704	41,537
Total trade and other payables	55,698	55,693	42,704	41,537
Add: Loans and borrowings (Note 26)	136,871	105,478	4,434	7,139
Total financial liabilities carried at amortised cost	192,569	161,171	47,138	48,676

(a) Trade payables

Amounts payable to suppliers and third parties are normally settled on 30 to 90 days (2013: 30 to 90 days) terms. These amounts are non-interest bearing.

(b) Amounts due to subsidiaries (non-trade)

Amounts due to subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

(c) Other payables

These amounts are non-interest bearing and are normally settled on an average term of three months (2013: average term of three months).

28. Share capital and share premium

	Number of ordinary shares of RM1.00 each '000	Share capital RM'000	Amount Share premium RM'000	Total share capital and premium RM'000
Issued and fully paid				
At 1 January 2013 and 31 December 2013	365,525	365,525	157,357	522,882
	Number of ordinary shares of RM0.20 each '000	Share capital RM'000	Amount Share premium RM'000	Total share capital and premium RM'000
Issued and fully paid				
At 1 January 2014	365,525	365,525	157,357	522,882
Sub-division during the year	1,462,102	-	-	-
Conversion of ICPS to ordinary shares	47,391	9,478	12,236	21,714
At 31 December	1,875,018	375,003	169,593	544,596
	Number of shares of RM0.20 each		Amount	
	2014 '000	2013 '000	2014 '000	2013 '000
Authorised				
Ordinary shares				
At 1 January	2,500,000	500,000	500,000	500,000
Sub-division during the year	-	2,000,000	-	-
At 31 December	2,500,000	2,500,000	500,000	500,000
Irredeemable convertible preference shares ("ICPS")				
At 1 January	500,000	100,000	100,000	100,000
Sub-division during the year	-	400,000	-	-
At 31 December	500,000	500,000	100,000	100,000

28. Share capital and share premium (continued)

- (a) In the previous year, the authorised share capital of the Company of RM600,000,000 comprising 500,000,000 ordinary shares of RM1.00 each and 100,000,000 ICPS of RM1.00 each was altered to RM600,000,000 comprising 2,500,000,000 subdivided ordinary shares of RM0.20 each and 500,000,000 ICPS of RM0.20 each.
- (b) During the year, 365,525,427 fully paid-up ordinary shares of RM1.00 each of the Company were subdivided into 1,827,627,135 fully paid-up ordinary shares of RM0.20 each. The sub-division was completed on 9 January 2014.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

29. Other reserves

	Revaluation reserve RM'000	Equity component of ICPS RM'000	Total RM'000
Group			
At 1 January 2013	31,447	222,513	253,960
Other comprehensive income:			
Effect of reduction in tax rates	3,915	-	3,915
At 31 December 2013 and 1 January 2014	35,362	222,513	257,875
Conversion of ICPS to ordinary shares	-	(21,090)	(21,090)
At 31 December 2014	35,362	201,423	236,785
Company			
At 1 January 2013			
Previously stated	28,317	222,513	250,830
Prior year adjustment (Note 38)	(28,317)	-	(28,317)
Restated, at 1 January and 31 December 2013	-	222,513	222,513
At 1 January 2014			
Previously stated	28,317	222,513	250,830
Prior year adjustment (Note 38)	(28,317)	-	(28,317)
Restated, at 1 January 2014	-	222,513	222,513
Conversion of ICPS to ordinary shares	-	(21,090)	(21,090)
At 31 December 2014	-	201,423	201,423

29. Other reserves (continued)

The nature and purpose of each category of reserve are as follows:

(a) Revaluation reserve

This reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of leasehold land, plantations and building above their cost.

(b) Equity component of ICPS

This represents the residual amount of irredeemable convertible preference shares ("ICPS") after deducting the fair value of the liability component. This amount is presented net of transaction costs and deferred tax assets arising from ICPS.

30. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2014 and 31 December 2013 under the single tier system.

31. Related party transactions

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Transactions with companies of which Datuk Lim Nyuk Sang @ Freddy Lim is also a director and has financial interest:				
Malsa Corporation Sdn. Bhd.				
- Purchase of crude palm oil	31,697	15,029	-	-
- Purchase of palm kernel shell	-	32	-	-
- Purchase of empty fruit bunch	41	33	-	-

31. Related party transactions (continued)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Transactions with a company in which a brother of Datuk Lim Nyuk Sang @ Freddy Lim is a director and has financial interest:				
Priceworth Industries Sdn. Bhd.				
- Jetty rental	36	36	-	-
- Water supply	36	36	-	-
- Purchase of wastewood	-	361	-	-
- Roadworks and drainage	215	137	-	-
Rimbunan Gagah Sdn. Bhd.				
- Purchase of wastewood	-	25	-	-
Innora Sdn. Bhd.				
- Purchase of wastewood	-	6	-	-
Maxland Sdn. Bhd.				
- Rental of equipment	30	32	-	-
- Purchase of plant and machinery	25	-	-	-
Transactions with a company of which Mr Wong Len Kee is director:				
MPK Plantations Sdn. Bhd.				
- Purchase of fresh fruit bunches	148	79	-	-

31. Related party transactions (continued)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Transactions with a company of which Mr Ho Sui Ting ^ is director:				
Winking Plantation Sdn. Bhd.				
- Sale of seedlings	14	33	-	-

Transactions with a company of which Mr Mun Kai Yip ^ is director:

Enviro Venture Pty Ltd				
- Management fees	71	155	-	-

^ Director of subsidiary company

	2014 RM'000	2013 RM'000
Company		
Transactions with subsidiaries:		
Income		
Sales of fresh fruit bunches		
- Syarikat Kretam Mill Sdn. Bhd.	55,660	48,925
Gross dividend received		
- Syarikat Kretam Plantations Sdn. Bhd.	20,000	-
- Winpalm Development Sdn. Bhd.	439	229
- Syarikat Kretam Ladang Sdn. Bhd.	35,000	-
- KM Plantations Sdn. Bhd.	31,074	-
Land rental income		
- Syarikat Kretam Mill Sdn. Bhd.	180	180
Sale of cattle		
- Syarikat Kretam Plantations Sdn. Bhd.	47	-

31. Related party transactions (continued)

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

	2014	2013
	RM'000	RM'000
Company		
Expenses		
Office rental		
- KHB Realty Sdn. Bhd.	120	120
Data processing fees		
- KHB Telecommunications Sdn. Bhd.	120	120
Purchase of fertilizers		
- Pupuk Borneo Sdn. Bhd.	6,530	7,789

- (b) **Compensation of key management personnel**

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	4,170	3,999	671	727
Defined contribution plan	491	474	83	87
	4,661	4,473	754	814

32. Commitments

(a) Capital commitments

Capital expenditure commitments as at the reporting date is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Approved and contracted for:				
Motor vehicles	285	-	-	-
Building	2,895	1,891	-	-
Plant and machinery	1,550	27,262	-	-
Furniture and equipment	-	80	-	-
Plantation infrastructure	189	-	189	-
	4,919	29,233	189	-
Approved but not contracted for:				
Motor vehicles	4,477	2,274	156	760
Building	12,412	9,593	3,555	3,918
Plant and machinery	4,046	8,569	402	880
Furniture and equipment	689	304	43	40
Plantation infrastructure	7,930	7,928	3,740	3,762
Earthwork	-	616	-	-
	29,554	29,284	7,896	9,360

32. Commitments (continued)

(b) Finance lease commitments

The Group has finance leases for certain items of motor vehicles, heavy equipment, plant and machinery (Note 14). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Minimum lease payments:				
Not later than 1 year	1,680	2,052	217	323
Later than 1 year but not later than 2 years	1,419	1,692	148	217
Later than 2 years but not later than 5 years	544	1,951	40	189
Total minimum lease payments	3,643	5,695	405	729
Less: Amounts representing finance charges	(240)	(504)	(24)	(58)
Present value of minimum lease payments	3,403	5,191	381	671
Present value of payments:				
Not later than 1 year	1,520	1,788	199	290
Later than 1 year but not later than 2 years	1,348	1,520	142	199
Later than 2 years but not later than 5 years	535	1,883	40	182
Present value of minimum lease payments	3,403	5,191	381	671
Less: Amount due within 12 months (Note 26)	(1,520)	(1,788)	(199)	(290)
Amount due after 12 months (Note 26)	1,883	3,403	182	381

33. Fair value measurement

The following table provides the fair values measurement hierarchy of the Group's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy for assets/(liabilities) as at 31 December 2014:

	Date of valuation	Total RM'000	Fair value measurement using		
			Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Assets measured at fair values:					
Derivatives financial assets					
- Futures contracts					
- crude palm oil (Note 24)	31.12.2014	33	-	33	-
Assets for which fair values are disclosed:					
Investment properties (Note 15)					
	21.12.2011	1,500	-	-	1,500
Liabilities measured at fair values:					
Derivatives financial liabilities					
- Forward currency contracts (Note 24)	31.12.2014	(173)	-	(173)	-
- Futures contracts					
- crude palm oil (Note 24)	31.12.2014	(38)	-	(38)	-
Liabilities for which fair values are disclosed (Note 34):					
Loans and borrowings					
- Irredeemable convertible preference shares	31.12.2014	2,095	-	2,095	-

33. Fair value measurement (continued)

Quantitative disclosures fair value measurement hierarchy for assets/(liabilities) as at 31 December 2013:

	Date of valuation	Total RM'000	Fair value measurement using		
			Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
Assets measured at fair values:					
Derivatives financial assets					
- Futures contracts					
- crude palm oil (Note 24)	31.12.2013	131	-	131	-
Assets for which fair values are disclosed:					
Investment properties (Note 15)					
	21.12.2011	1,500	-	-	1,500
Liabilities measured at fair values:					
Derivatives financial liabilities					
- Forward currency contracts (Note 24)	31.12.2013	(592)	-	(592)	-
Liabilities for which fair values are disclosed (Note 34):					
Loans and borrowings					
- Irredeemable convertible preference shares	31.12.2013	4,458	-	4,458	-

There have been no transfers between Level 1 and Level 2 during the period.

34. Fair value of financial instruments

Set out below, is a comparison by classes of the carrying amounts and fair values of the financial instruments, other than those with carrying amounts are reasonable approximate of fair value:

	Note	Group		Company	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2014					
Financial assets:					
Derivatives					
- Futures contracts					
- Crude Palm Oil	24	33	33	-	-
Financial liabilities:					
Derivatives					
- Forward currency contracts	24	173	173	-	-
- Futures contracts					
- crude palm oil	24	38	38	-	-
Loans and borrowings (non-current)					
- Irredeemable convertible preference shares	26	2,104	2,095	2,104	2,095
2013					
Financial liabilities:					
Derivatives					
- Futures contracts					
- Crude Palm Oil	24	131	131	-	-
Financial liabilities:					
Derivatives					
- Forward currency contracts	24	592	592	-	-
Loans and borrowings (non-current)					
- Irredeemable convertible preference shares	26	4,476	4,458	4,476	4,458

34. Fair value of financial instruments (continued)

The management assessed that fair value of cash and short-term deposits, trade receivables, trade payables, short-term loan and borrowings and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The carrying amounts of non-current loans and borrowings are reasonable approximations of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The following methods and assumptions were used to estimate the fair value:

Derivatives

Forward currency contracts and commodity futures contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and forward rate curves of the underlying commodity.

Finance lease obligations and irredeemable convertible preference shares

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

The fair value of the financial guarantees is negligible as the probability of the financial guarantees being called is remote as those subsidiaries will be able to meet their short term loans and borrowings obligations as and when they are due.

35. Financial risk management objectives and policies

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

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by executive directors. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

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

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM353,000,000 (2013: RM345,500,000) relating to corporate guarantees provided by the Company to banks for credit facilities granted to its subsidiaries.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 23.

35. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Credit risk concentration profile

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

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 23. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 23.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At the reporting date, approximately 63% (2013: 55%) of the Group's and approximately 48% (2013: 32%) of the Company's loans and borrowings (Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements.

35. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at the reporting date based on contractual undiscounted amounts.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
2014				
Financial assets				
Trade and other receivables	32,849	-	-	32,849
Cash and bank balances	61,842	-	-	61,842
Derivatives	33	-	-	33
Total undiscounted financial assets	94,724	-	-	94,724
Financial liabilities				
Trade and other payables	55,698	-	-	55,698
Loan and borrowings	88,875	52,927	3,030	144,832
Derivatives	211	-	-	211
Total undiscounted financial liabilities	144,784	52,927	3,030	200,741
Total net undiscounted financial liabilities	(50,060)	(52,927)	(3,030)	(106,017)
2013				
Financial assets				
Trade and other receivables	34,070	-	-	34,070
Cash and bank balances	65,595	-	-	65,595
Derivatives	131	-	-	131
Total undiscounted financial assets	99,796	-	-	99,796
Financial liabilities				
Trade and other payables	55,693	-	-	55,693
Loan and borrowings	62,037	49,393	3,731	115,161
Derivatives	592	-	-	592
Total undiscounted financial liabilities	118,322	49,393	3,731	171,446
Total net undiscounted financial liabilities	(18,526)	(49,393)	(3,731)	(71,650)

35. **Financial risk management objectives and policies (continued)**

(b) **Liquidity risk (continued)**

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted amounts.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Company				
2014				
Financial assets				
Trade and other receivables	261,157	-	-	261,157
Cash and bank balances	22,494	-	-	22,494
Total undiscounted financial assets	283,651	-	-	283,651
Financial liabilities				
Trade and other payables	42,704	-	-	42,704
Loan and borrowings	2,480	2,452	-	4,932
Total undiscounted financial liabilities	45,184	2,452	-	47,636
Total net undiscounted financial assets/(liabilities)	238,467	(2,452)	-	236,015
2013				
Financial assets				
Trade and other receivables	153,986	-	-	153,986
Cash and bank balances	23,944	-	-	23,944
Total undiscounted financial assets	177,930	-	-	177,930
Financial liabilities				
Trade and other payables	41,537	-	-	41,537
Loan and borrowings	2,586	4,932	-	7,518
Total undiscounted financial liabilities	44,123	4,932	-	49,055
Total net undiscounted financial assets/(liabilities)	133,807	(4,932)	-	128,875

35. Financial risk management objectives and policies (continued)

(c) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM48,658 (2013: RM36,660) higher/lower and the Company's profit net of tax would have been RM255 (2013: RM363) lower/higher, arising mainly as a result of net effect of lower/higher interest income from short-term deposits and lower/higher interest expense on borrowings. The assumed movement in percentage for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

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

The Group has transactional currency exposures arising from sales that are denominated in a currency other than the functional currency of the Group, primarily RM. The foreign currency in which these transactions are denominated are mainly United States Dollars (USD). Approximately 72% (2013: 57%) of the Group's sales are denominated in foreign currency. The Group's trade receivable balances at the end of the reporting period has similar exposures.

The Group and the Company also hold cash at banks denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD.

The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

35. Financial risk management objectives and policies (continued)

(d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, exchange rates against the functional currency of the Group, with all other variables held constant.

	Group	
	2014	2013
	RM'000	RM'000
	Profit	Profit
	before tax	before tax
USD/RM - strengthened 5% (2013: 5%)	(1,125)	(1,243)
- weakened 5% (2013: 5%)	1,125	1,243

(e) Commodity price risk

The price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, government policies, changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops.

The Group has future commodity contracts, the purpose of which are primarily to hedge its exposures on risks of losses arising from the fluctuations in the prices of the commodities that are produced and traded by the Group.

During 2014 and 2013, it is, and has been, the Group's policy that no hedging in financial instruments shall be undertaken.

The Group's policy is to minimise the risks of its raw material costs arising from the fluctuations in the commodity prices by increasing self-sufficiency in CPO for the refinery operations (through the purchase of CPO from the Group's own plantations). To the extent it is unable to do so, the Group may minimise such risks through forward contracts. As such, it may also be exposed to commodity price risk as changes in fair value of future commodity contracts are recognised directly in the consolidated statements of profit or loss.

Sensitivity analysis for commodity price risk

At the reporting date, if the processed palm oil price had been 5% higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM5,740,754 (2013: RM6,013,825) higher/lower.

36. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within acceptable level. The Group includes within net debt, loans and borrowings (excluding irredeemable convertible preference share ("ICPS"), trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the Company.

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Loans and borrowings	26	136,871	105,478	4,434	7,139
Trade and other payables	27	55,698	55,693	42,704	41,537
Less: Cash and bank balances	25	(61,842)	(65,595)	(22,494)	(23,944)
ICPS	26	(4,053)	(6,468)	(4,053)	(6,468)
Net debt		126,674	89,108	20,591	18,264
ICPS		4,053	6,468	4,053	6,468
Equity attributable to owners of the Company		927,140	915,832	818,428	757,850
Total capital		931,193	922,300	822,481	764,318
Capital and net debt		1,057,867	1,011,408	843,072	782,582
Gearing ratio		12%	9%	2%	2%

37. Segment information

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

- (i) The plantation and mill segment is in the business of cultivation and sale of oil palm products. This reportable segment has been formed by aggregating the fertilizer operating segment, which is regarded by management to be an integral part of the Group's plantation operations by reason of the quantity of the fertilizer segment's operating output that is used in the plantation operations.
- (ii) The refinery segment is in the business of refining crude palm oil and producing bio fuels.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

37. Segment information (continued)

	Plantation and mill		Refinery		Adjustment and elimination		Note	Per consolidated financial statements	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000		2014 RM'000	2013 RM'000
Revenue:									
External customers	123,366	146,889	316,189	215,377	-	-		439,555	362,266
Inter-segment	159,662	101,512	-	-	(159,662)	(101,512)	A	-	-
Total revenue	283,028	248,401	316,189	215,377	(159,662)	(101,512)		439,555	362,266
Results:									
Interest income	174	188	115	16	680	716		969	920
Depreciation and amortisation	19,965	18,416	10,094	7,397	1,898	2,099		31,957	27,912
Impairment on biological assets	390	443	-	-	-	-		390	443
Segment profit/(loss)	53,748	29,608	(25,581)	(5,346)	(6,240)	(3,529)	B	21,927	20,733
Assets:									
Additions to non-current assets	17,678	27,490	30,108	47,304	-	-	C	47,786	74,794
Segment assets	874,381	903,437	285,652	205,522	56,466	65,737	D	1,216,499	1,174,696
Segment liabilities	32,947	36,671	140,231	102,815	113,376	116,226	E	286,554	255,712

37. Segment information (continued)

Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B The profit from inter-segment sales is deducted from segment profit to arrive at "Profit before tax" presented in the consolidated statements of profit or loss.

	2014 RM'000	2013 RM'000
Finance costs	(4,525)	(2,503)
Unallocated segment loss	(1,715)	(1,026)
	(6,240)	(3,529)

C Additions to non-current assets consist of:

Property, plant and equipment	46,853	71,855
Biological assets	933	2,939
	47,786	74,794

D The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2014 RM'000	2013 RM'000
Tax refundable	23,254	27,234
Inter-segment assets	33,212	38,503
	56,466	65,737

E The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2014 RM'000	2013 RM'000
Income tax payable	28	30
Deferred tax liabilities	93,746	93,919
Inter-segment liabilities	19,602	22,277
	113,376	116,226

Geographical information

Revenue information based on the geographical location of customers are as follows:

	2014 RM'000	2013 RM'000
Malaysia	195,928	157,040
Singapore	243,627	200,991
United States of America	-	4,235
	439,555	362,266

38. Prior year adjustment

The Company accounts for its investments in subsidiaries at cost in its separate financial statements. During the financial year, the Company noted that its investments in certain subsidiaries are measured at revalued amounts. Accordingly, the investments in these subsidiaries have been restated to cost retrospectively. The effects of this adjustment to the financial statements of the Company for the prior periods are as follows

	Previous stated RM'000	Adjustments RM'000	Restated RM'000
Company			
At 31 December 2013			
Non-current assets			
Investments in subsidiaries	620,855	(60,922)	559,933
Equity			
Revaluation reserve	28,317	(28,317)	-
Retained earnings	45,060	(32,605)	12,455
At 1 January 2013			
Non-current assets			
Investments in subsidiaries	626,560	(60,922)	565,638
Equity			
Revaluation reserve	28,317	(28,317)	-
Retained earnings	42,272	(32,605)	9,667

39. Significant event

On 7 July 2014 Usaha Dimega Sdn. Bhd. ("UDSB"), a subsidiary in which the Group holds an effective interest of 66.67%, entered into a conditional Bulking Joint Venture Agreement ("BJVA") with Rikaworth Sdn. Bhd. ("RSB") and Sawit Bulkiers Sdn. Bhd. ("SBSB") to venture into the business of palm oil common bulking installations for palm oil and related products together with a system of pipe racks to facilitate the transfer of liquid products between the bulking facilities and users of such facilities and the conveyance of the same to and from the jetty facilities of the Sabah Ports Authority in Sandakan, subject to the terms and conditions of the BJVA.

The BJVA is subject to the fulfilment (unless waived by mutual written consent of UDSB and RSB) of certain Conditions Precedent, after which UDSB and RSB are to subscribe for shares at par in the JV Company in cash on a date to be decided by the Board of Directors of the JV Company within 10 days after the Conditions Precedent are fulfilled or waived. Following the subscription of shares, the equity interest held by the respective parties shall be as follows:

	<u>No. of Shares</u>	<u>Percentage</u>
UDSB	12,750,000	60%
RSB	8,500,000 (including the existing 100,000 issued shares)	40%

The fulfilment of the Conditions Precedent of the BJVA is yet to be completed as at reporting date. Hence, there is no effect on the financial position of the Group as at the end of the financial year.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 29 April 2015.

41. Supplementary information – breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2014 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits of Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000 (Restated)
Total retained earnings of the Company and its subsidiaries				
- Realised	182,890	177,885	108,688	21,329
- Unrealised	(31,114)	(32,046)	(9,177)	(8,874)
	151,776	145,839	99,511	12,455
Less: Consolidation adjustments	(6,017)	(10,764)	-	-
Retained earnings as per financial statements	145,759	135,075	99,511	12,455

List Of Properties

	Name and Location of Property	Description	Tenure	Land Area	Year Revalued ("R")/ Acquired ("A")	Net Book Value as at 31.12.14 RM'000
1	Bode Estate Mile 44 Sandakan-Lahad Datu Highway	Oil palm plantation	Leasehold, - expiring in 2887 - expiring in 2077 - expiring in 2082	3,052 hectares 413 hectares 8 hectares <u>3,473 hectares</u>	R: 1996 R: 1996 R: 1996	67,898
2	Masang Estate Off Mile 44 Sandakan - Lahad Datu Highway	Oil palm plantation	Leasehold, - expiring in 2919 - expiring in 2887 - expiring in 2058 - expiring in 2061 - expiring in 2064 - expiring in 2071 - expiring in 2071 - expiring in 2078 - expiring in 2079 - expiring in 2080 - expiring in 2085 - expiring in 2096 - expiring in 2098 - expiring in 2100 Sublease, - expiring in 2096 - expiring in 2099 - expiring in 2034	32 hectares 1,878 hectares 261 hectares 45 hectares 57 hectares 182 hectares 41 hectares 200 hectares 76 hectares 127 hectares 44 hectares 3 hectares 13 hectares 11 hectares <u>2,970 hectares</u> 24 hectares 43 hectares 13 hectares <u>3,050 hectares</u>	R: 1996 R: 1996 R: 1996 R: 1996 R: 1996 R: 1996 A: 1997 R: 1996 R: 1996 R: 1996 R: 1996 A: 2000 A: 2002 A: 2003 A: 1997 A: 2000 A: 2004	58,758
3	Sapagaya Estate Mile 60 Sandakan-Sukau Road	Oil palm plantation	Leasehold, - expiring in 2078 - expiring in 2041	3,036 hectares 14 hectares <u>3,050 hectares</u>	R: 1996 R: 1996	62,951
4	Silimponon Estates I & II Km 128 Tawau-Kalabakan Highway	Oil palm plantation	Leasehold, - expiring in 2096	8,090 hectares	A: 1998	60,895

	Name and Location of Property	Description	Tenure	Land Area	Year Revalued ("R")/ Acquired ("A")	Net Book Value as at 31.12.14 RM'000
5	Winpalm Estate Off Mile 44 Sandakan - Lahad Datu Highway	Oil palm plantation	Sublease, - expiring in 2097 - expiring in 2032 - expiring in 2034	69 hectares 39 hectares <u>25 hectares</u> 133 hectares	A: 1999 A: 2002 A: 2004	1,279
6	Kolopis Estate Off Mile 35, Lahad Datu - Sandakan Highway	Oil palm plantation	Leasehold, - expiring in 2085	1,277 hectares	A: 2011	58,794
7	Tanaki Estate Off Mile 35, Lahad Datu - Sandakan Highway	Oil palm plantation	Leasehold, - expiring in 2085	1,555 hectares	A: 2011	97,873
8	Bukit Sekong Estate Off Mile 57 Sandakan- Lahad Datu Highway	Oil palm plantation	Leasehold, - expiring in 2084 - expiring in 2089	805 hectares <u>48 hectares</u> 853 hectares	A: 2011 A: 2011	52,968
9	Sukau Estate Off Km 34 and Km 41, Sandakan-Sukau Road	Oil palm plantation	Sublease, - expiring in 2099 - expiring in 2035	65 hectares <u>42 hectares</u> 107 hectares	A: 2011 A: 2011	4,636
10	Inobong Estate Off Mile 35, Lahad Datu- Sandakan Highway	Oil palm plantation	Leasehold, - expiring in 2081 - expiring in 2083 - expiring in 2084	202 hectares 404 hectares <u>183 hectares</u> 789 hectares	A: 2011 A: 2011 A: 2011	57,942
11	Segama Estate Off Mile 15, Lahad Datu - Sandakan Highway	Oil Plantation	Leasehold - expiring in 2074 - expiring in 2077 - expiring in 2096	18 hectares 243 hectares <u>22 hectares</u> 283 hectares	A: 2011 A: 2011 A: 2011	18,650

	Name and Location of Property	Description	Tenure	Land Area	Year Revalued ("R")/ Acquired ("A")	Net Book Value as at 31.12.14 RM'000
12	Bumiwealth Estate Off Mile 35, Lahad Datu - Sandakan Highway	Oil palm Plantation	Leasehold, - expiring in 2084	1,213 hectares	A: 2011	77,402
13	Green Edible Oil Complex Off 4.7Km, Jalan Ulu Sibuga, Sungai Seguntor Sandakan	Palm oil refinery & biodiesel plant	Leasehold, - expiring in 2077 - expiring in 2063 - expiring in 2071	6.07 hectares 6.83 hectares 2.82 hectares	A: 2011 A: 2011 A: 2012	35,803
14	Pupuk Borneo Sdn. Bhd. Mile 8, Jalan Apas Tawau	Fertilizer plant	Leasehold, - expiring in 2048	2.16 hectares	A: 2011	2,703
15	Wisma KHB Lots 4, 5 and 6, Block 44 Leboh Tiga, Sandakan	4-storey office building	Leasehold, - expiring in 2889	4,500 sq. feet	R: 1996	3,056
16	Lot 59, Block I Sadong Jaya, Karamunsing Kota Kinabalu	4-storey commercial building	Leasehold, - expiring in 2901	1,250 sq. feet	A: 1993	641
17	Km 9 (between Jalan Tinosan and Taman Mesra) Northern Ring - Sim-Sim Road, Sandakan	Vacant Land	Leasehold, - expiring in 2080	4.64 acres	A: 2009	2,975

Shareholdings Statistics

As at 30 April 2015

Authorised Capital	:	RM600,000,000 divided into 2,500,000,000 ordinary shares of RM0.20 each and 500,000,000 irredeemable convertible preference shares of RM0.20 each
Issued and Paid-Up	:	RM465,525,427 divided into 1,875,018,440 ordinary shares of RM0.20 each and 452,608,695 irredeemable convertible preference shares of RM0.20 each
Class of Shares	:	i) Ordinary shares of RM0.20 each ii) Irredeemable convertible preference shares of RM0.20 each ("ICPS")
Voting Rights	:	1 vote per ordinary share

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

GROUP	SHAREHOLDERS		SHAREHOLDINGS	
	NUMBER	%	NUMBER	%
1 to 99	25	0.36	781	0.00
100 to 1,000	201	2.90	106,868	0.01
1,001 to 10,000	3,625	52.28	21,174,825	1.13
10,001 to 100,000	2,671	38.52	92,374,726	4.93
100,001 to less than 5% of issued shares	408	5.88	1,119,118,370	59.68
5% and above of issued shares	4	0.06	642,242,870	34.25
Total	6,934	100.00	1,875,018,440	100.00

LIST OF TOP 30 SHAREHOLDERS

	No. of ordinary shares held	Percentage (%)
1. RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	225,917,730	12.05
2. Mingo Development Sdn Bhd	145,425,140	7.76
3. Sabah Development Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	135,900,000	7.25
4. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	135,000,000	7.20
5. Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	93,647,690	4.99
6. Datuk Lim Nyuk Sang @ Freddy Lim	85,842,860	4.58
7. Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	83,500,000	4.45
8. UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	61,000,000	3.25
9. Maybank Nominees (Tempatan) Sdn Bhd - Beneficial Owner : Datuk Lim Nyuk Sang @ Freddy Lim	51,000,000	2.72
10. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	50,000,000	2.67

		No. of ordinary shares held	Percentage (%)
11.	RHB Capital Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim</i>	49,000,000	2.61
12.	Santraprise Sdn Bhd	48,248,905	2.57
13.	RHB Capital Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim</i>	43,012,000	2.29
14.	RHB Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim</i>	35,500,000	1.89
15.	AMSEC Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account - AmBank (M) Berhad for Datuk Lim Nyuk Sang @ Freddy Lim</i>	35,000,000	1.87
16.	UOB Kay Hian Nominees (Asing) Sdn Bhd - <i>Exempt Authorised Nominee for UOB Kay Hian Pte Ltd (A/C Clients)</i>	34,386,250	1.83
17.	RHB Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim</i>	33,817,800	1.80
18.	DB (Malaysia) Nominee (Asing) Sdn Bhd - <i>Exempt Authorised Nominee for Bank of Singapore Limited</i>	31,049,000	1.66
19.	Affin Hwang Nominees (Asing) Sdn Bhd - <i>Beneficial Owner : Great Forest Limited</i>	17,939,750	0.96
20.	Maybank Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Chua Peng Boon @ Choy Ah Mun</i>	15,924,015	0.85
21.	Alliancegroup Nominees (Tempatan) Sdn Bhd - <i>Beneficial Owner : Chin Chee Kan</i>	15,510,000	0.83
22.	RHB Capital Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Wong Len Kee</i>	15,000,000	0.80
23.	Maybank Nominees (Tempatan) Sdn Bhd - <i>Beneficial Owner : Fong Kin Wui</i>	13,756,245	0.73
24.	Hee Chul Johng	12,543,800	0.67
25.	Alliancegroup Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for BPH Capital Sdn Bhd</i>	12,500,000	0.67
26.	RHB Capital Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Chua Peng Boon @ Choy Ah Mun</i>	12,346,100	0.66
27.	Koperasi Permodalan Felda Malaysia Berhad	11,892,500	0.63
28.	Maybank Nominees (Tempatan) Sdn Bhd - <i>Beneficial Owner : Chua Peng Boon @ Choy Ah Mun</i>	10,144,600	0.54
29.	CIMSEC Nominees (Tempatan) Sdn Bhd - <i>Beneficial Owner : Datuk Lim Nyuk Sang @ Freddy Lim</i>	10,000,000	0.53
30.	Wong Len Kee	8,016,085	0.43

SUBSTANTIAL SHAREHOLDERS

	Direct		Indirect	
	No. of shares held	Percentage (%)	No. of shares held	Percentage (%)
Datuk Lim Nyuk Sang @ Freddy Lim	1,134,743,080	60.52	48,248,905 *	2.57
Mingo Development Sdn Bhd	145,425,140	7.76	-	-

* Deemed interest through Santraprise Sdn Bhd in which he has interests.

DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
	No. of shares held	Percentage (%)	No. of shares held	Percentage (%)
Y.Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir	-	-	-	-
Datuk Lim Nyuk Sang @ Freddy Lim	1,134,743,080	60.52	48,248,905 *	2.57
Wong Len Kee	33,016,085	1.76	-	-
Lee Hock Leang	-	-	-	-
Wong Chin Kwong	-	-	-	-
Tan Kung Ming	-	-	-	-
Teo Gim Suan	-	-	-	-

* Deemed interest through Santraprise Sdn Bhd in which he has interests.

Form Of Proxy



(Company No : 168285-H)

CDS Account No.	
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I/We,.....
of.....
being a Member of Kretam Holdings Berhad, hereby appoint
.....
of.....
or failing him
of
as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Seventh Annual General Meeting of the Company to be held at the Company's Registered Office at **Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah on Monday, 22 June 2015 at 11.00 a.m.** or at any adjournment thereof.

I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereinunder indicated:-

Resolutions		For	Against
Ordinary Resolution 1	To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2014		
Ordinary Resolution 2	To re-elect Mr Tan Kung Ming as Director		
Ordinary Resolution 3	To re-elect Ms Teo Gim Suan as Director		
Ordinary Resolution 4	To approve the payment of Directors' fees of RM70,000.00		
Ordinary Resolution 5	To re-appoint Messrs Ernst & Young as Auditors of the Company		
Ordinary Resolution 6	To empower the Directors to issue new shares		
Ordinary Resolution 7	To approve the renewal of existing Shareholder's mandate for Recurrent Related Party Transactions of a revenue or trading nature		

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.)

No. of ordinary shares held	
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Dated thisday of2015
.....
Signature(s) of Member

Notes:-

- a) A depositor whose name appears in the Record of Depositors as at 16 June 2015 (General Meeting Record of Depositors) shall be regarded as a member entitled to attend, speak and vote at this 27th AGM of the Company or appoint a proxy to attend and vote.
- b) A proxy or an attorney need not be a member of the Company and Section 149(1)(b) of the Act shall not apply to the Company.
- c) The form of proxy or power of attorney if executed by a corporation must be executed under common seal.
- d) The instrument appointing a proxy or a power of attorney must be deposited at the Registered Office of the Company at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah not less than 48 hours before the time set for the meeting or any adjournment thereof.
- e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

FOLD HERE

FOLD HERE

STAMP

KRETAM HOLDINGS BERHAD
Lot 6, Block 44, Leboh Tiga
90000 Sandakan
Sabah