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# Corporate Information

## BOARD OF DIRECTORS

- **Y. Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir**  
*Executive Chairman*
- **Pek Hak Bin**  
*Independent Non-Executive Director / Deputy Chairman*
- **Datuk Lim Nyuk Sang @ Freddy Lim**  
*Chief Executive Officer / Executive Director*
- **Wong Len Kee**  
*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  
16<sup>th</sup> Floor, Wisma Khoo Siak Chiew  
Jalan Buli Sim Sim  
90000 Sandakan, Sabah

## SOLICITORS

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

## PRINCIPAL BANKERS

- Public Bank Berhad
- RHB Bank Berhad
- Hong Leong Bank Berhad
- Hong Leong Islamic Bank Berhad
- Alliance Bank Malaysia Berhad
- Malayan Banking Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

# *Directors' Profile & Key Senior Management's Profile*

The profile of the Directors of Kretam Holdings Berhad ("KHB"), whereby four of the Directors are Independent and profile of Key Senior Management, are as follows:-

## **DIRECTORS' PROFILE**

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

Aged 54, Male, 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. Currently he is Member of the Malaysian Parliament for Kulim – Bandar Baharu, Kedah.

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 two of the four Board Meetings held during the financial year ended 31 December 2016.

### **PEK HAK BIN**

Aged 52, Male, Singaporean, Independent Director and Deputy Chairman of KHB. He was appointed to the Board of Directors of KHB on 16 March 2017. He graduated from the Nanyang Technological University. He also studied in executive courses on international business management in Harvard Business School and Stanford Graduates School of Business. He is former Chairman and Country President of BP Singapore and Thailand, and worked previously as a Partner and Head of Energy & Natural Resources at KPMG Singapore. He is currently Chief Executive Officer for Cronus Resources Group and also a board director at the Energy Market Authority of Singapore. He has worked in the oil and gas industry in Asia for more than twenty years, and has been regularly invited by government institutions to speak on energy issues in public conferences as well as in private consultation.

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 did not attend any of the Board Meetings held during the financial year ended 31 December 2016 as he was appointed as a Director of KHB only with effect from 16 March 2017.

### **DATUK LIM NYUK SANG @ FREDDY LIM**

Aged 65, Male, 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, oil milling operations and property development. He also holds directorships in Sabah Softwoods Berhad and several private companies.

He does not have any family relationship with other Directors but is a brother of Datuk Lim Nyek Kiong @ Lim Nyuk Min, a major shareholder of the Company. He has no conflict of interest with KHB Group other than Recurrent Related Party Transactions as disclosed in the Corporate Governance Statement on page 15. 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 2016.

**WONG LEN KEE**

Aged 68, Male, Malaysian, Executive Non-Independent Director of KHB. He is also a member of the Executive Committee and ESOS Committee and was appointed on 5 July 2016 as Chairman of the Risk Management 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. As the Project Manager for Sabah Softwoods Sdn Bhd, he held the post 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. He has no conflict of interest with KHB Group other than Recurrent Related Party Transactions as disclosed in the Corporate Governance Statement on page 15. 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 2016.

**WONG CHIN KWONG**

Aged 68, Male, 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 2016.

**TAN KUNG MING**

Aged 46, Male, 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 2016.

**TEO GIM SUAN**

Aged 54, Female, 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 2016.

**KEY SENIOR MANAGEMENT'S PROFILE****HO SUI TING**

Aged 63, Male, Malaysian, Chief Plantation Officer. He joined the KHB Group in September 2003 as the General Manager for the Plantation Division. In 2013, he was promoted as the Chief Plantation Officer responsible for the Group's plantation operations.

He obtained a Bachelor of Science Degree in Chemical Engineering from University College London in 1978. He has worked in the Oil Palm Industry for over thirty years.

He started his career as Bulking Engineer with Sabah Land Development Board briefly before joining Pamol Sabah, a subsidiary of Unilever, as Assistant Engineer and later as the Factory Manager from 1988 to 1993. In 1994, he was promoted as the General Manager for Pamol Estates Sabah until 2003 when he resigned.

He served as Convener and committee member for East Malaysia Planters' Association (EMPA), Malaysian Palm Oil Association (MPOA) and Sabah Employers Consultative Association (SECA) between 2002 to 2009.

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 does not hold any directorship in public companies and public listed companies.

# 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 (“the Group”) to be in line with the Malaysian Code of Corporate Governance 2012 (“MCCG 2012”) to enhance shareholders’ value.

This statement describes the manner in which the Company has applied the principles and recommendations of the MCCG 2012 and the extent to which they have been complied with by the Board.

## BOARD OF DIRECTORS

### (a) Board Responsibilities

The Board is responsible for the corporate governance practices of the Group and has full and effective control of the Group, including the Management. To ensure good performance of the Group’s business, the Board, in discharging its fiduciary functions, assumes the responsibilities of reviewing and adopting the strategic plans for the Group, overseeing the conduct and monitoring the Group’s business operations, identifying principal risks and instituting risk management, reviewing and establishing a succession plan for senior management and maintaining and reviewing the adequacy of the Group’s internal control systems, management information systems and compliance systems.

Besides, the Board is also responsible for assessing and monitoring the budget proposed and cash flow requirements in order to maintain full and effective control over the Management of the Group as well as monitoring compliance with all relevant statutory and legal obligations.

### (b) Board Charter And Code of Ethics And Conduct

The Board Charter (“the Charter”) adopted by the Board has set out clear functions reserved for the Board and those delegated to the Management. The Management is responsible for providing accurate and complete information in a suitable form and in a timely manner to the Board to enable it to discharge its duties effectively.

The Charter sets out the following:

- the Board structure and protocol
- the Board’s strategic intent
- key values and principles of the Company
- the Board’s roles and responsibilities, the division of responsibilities and powers between Board and Management, Board Committee and Chief Executive Officer.

The Board will review the Board Charter as and when necessary to ensure that it is consistent with the Board’s objectives and the applicable laws and regulatory requirements.

The Company’s Code of Ethics and Conduct (“the Code”) approved and adopted by the Board provides guidance to the Board, Management and employees of the Group in its day-to-day operations, including dealing with customers, suppliers, shareholders and business associates.

Both the Charter and the Code are made available on the Company’s website at <http://www.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 the key personnel responsible for the day-to-day management of the Company’s operations and the implementation of the Board’s policies and decisions into actions. He monitors actual results on a regular basis with the senior management team and where budget and planned performance are not met, strategies are reassessed and actions are to be taken to address the variances.

**(c) Strategies Promoting Sustainability**

Recognising the importance of sustainability, the Board is committed to promoting and implementing sustainable practices throughout the Group. The Company is putting in continuous efforts and measures in protecting and improving the environment, 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. The Group's Sustainability Statement is found on page 28

**(d) Board Composition and Balance**

Subsequent to the appointment of Mr Pek Hak Bin on 16 March 2017 as an Independent and Non-Executive Director and Deputy Chairman, the Board currently has 7 members comprising 3 Executive Directors and 4 Independent Non-Executive Directors, thus in compliance with Recommendation 3.5 of the MCCG 2012 which states that "the board must comprise a majority of independent directors where the chairman of the board is not an independent director".

Collectively, the Board brings a broad range of financial, corporate and operational experience and expertise necessary for the Company's business operations.

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.

In accordance with Article 80 of the Company's Articles of Association, Mr Wong Chin Kwong, who was appointed to the Board on 15 November 2007, will retire by rotation at the 29<sup>th</sup> Annual General Meeting ("AGM") of the Company. Pursuant to Recommendation 3.2 of the MCCG 2012, he will not seek re-election, having served and completed nine (9) years as an Independent Non-Executive Director of the Company. Thus, he will hold office until the conclusion of the 29<sup>th</sup> AGM of the Company.

**(e) Boardroom Diversity**

The Board takes note of the recommendation of MCCG 2012 relating to the establishment of a gender diversity policy but has no immediate plans to formalize or set targets or measures for any diversity policy. The Board is of the opinion that the appointment of directors should refer on merit with a sense in diverse mix of skills, experience, knowledge and background as paramount importance rather than on gender. Currently, the Board has a female Independent Non-Executive Director who also sits on several of the Board Committees.

**(f) Appointments To The Board**

The Nomination Committee is responsible for considering and recommending the right candidate to be recruited to the Board and for assessing Directors' performance on an on-going basis. In view of Mr Wong Chin Kwong's retirement by rotation and not seeking re-election at the forthcoming AGM of the Company, efforts will be made by the Nomination Committee to headhunt for a suitable candidate to be recruited to the Board to ensure compliance with Recommendation 3.5 of the MCCG 2012 by the Company. Details of the Nomination Committee are set out on page 11.

**(g) 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 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.

**(h) Board Meetings**

At least four (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 held during the financial year ended 31 December 2016 included the Group's financial results, strategic decisions, business plan and direction. Four (4) Board Meetings were held during the financial year ended 31 December 2016, with the attendance of each Director recorded as follows:-

Directors	Number of Meetings Attended
Y. Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir	2 of 4
Datuk Lim Nyuk Sang @ Freddy Lim	4 of 4
Wong Len Kee	4 of 4
Lee Hock Leang (Resigned on 4 August 2016)	3 of 3
Wong Chin Kwong	3 of 4
Tan Kung Ming	4 of 4
Ms. Teo Gim Suan	4 of 4

**(i) Supply Of Information**

Information including the latest statutory and non-statutory regulations and requirements is provided to the Board members on a timely basis. One (1) week prior to meetings of the Board and the Board Committees, reports and information relating to the business operations and/or financial affairs of the Group are provided to the Directors to enable them to be properly briefed and to obtain further information or explanation, where necessary, before the meetings.

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.

**(j) Competent Qualified Secretary**

The Board is supported by an experienced qualified in-house Company Secretary who has served the Group for 23 years. She is accountable to the Board on all matters connected with the proper functioning of the Board and her responsibility includes:

- assisting the Chairman and the chairmen of the Board Committees in developing the agendas for the meetings;
- administering, attending and preparing the minutes of meetings of the Board, Board Committees and shareholders,
- acting as liaison to ensure good information flow within the Board, between the Board and its Committees as well as between management and the Directors;
- advising on statutory and regulatory requirements and the resultant implication of any changes that have bearing on the Company and the Directors;
- advising on matters of corporate governance and ensuring Board policies and procedures are adhered to;
- monitoring compliance with the former Companies Act, 1965 and the new Companies Act, 2016 which came into operation on 31 January 2017, Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Articles of Association of the Company;
- facilitating orientation of new director; and
- disseminating suitable training courses and arranging for Directors to attend such courses when requested.

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 Company Secretary and the senior management proactively monitor and guide the Board on the corporate disclosure requirements stipulated in the MMLR to ensure the Company is in compliance and makes timely disclosures.

**(k) Directors' Training**

All the Directors, including Mr Pek Hak Bin who was recently appointed to the Board, had successfully completed the Mandatory Accreditation Programme as prescribed by 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 2016. Programmes and seminars attended by the Directors, collectively or individually, during the year ended 31 December 2016 were as follows:-

- *Mastering MPERS: 2015 Updates, Principles, and Implementation of MPERS and Impact of Updates* by Malaysian Institute Of Accountants
- *Audit Committee Conference 2016* by Malaysian Institute Of Accountants & The Institute of Internal Auditors Malaysia
- *The Asia HRD Congress 2016 Talent Development: The New Landscape* by Asia HRD Congress Sdn Bhd & SMR Group
- *How To Manage The Bursa Sustainability Reporting* by Asian Academy for Corporate Administration Sdn Bhd
- *The Companies Act 2016 – Transitioning The Memorandum & Articles To A Constitution In Compliance With The New Act* by Malaysian Association of Company Secretaries
- *SSM Sabah Seminar 2016 'The Companies Bill 2015 & Interest Schemes Bill 2015'* by Suruhanjaya Syarikat Malaysia
- *New Companies Bill 2015 – New Obligations* by Tengis Corporate Services Sdn Bhd
- *National Tax Conference 2016* by Lembaga Hasil Dalam Negeri Malaysia & Chartered Tax Institute of Malaysia
- *Seminar Pencukaian Kebangsaan 2016* by Lembaga Hasil Dalam Negeri Malaysia

**(l) Directors' Remuneration**

A summary of the Directors' remuneration received from the Company and subsidiary companies during the financial year ended 31 December 2016 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	2,566	-	2,566
Bonus	880	-	880
Benefit-in-kind	151	-	151

1) 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
RM350,001 – RM400,000	1	-
RM550,001 – RM600,000	1	-
RM850,001 – RM900,000	1	-
RM2,200,001 – RM2,250,000	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 ( <i>Independent Non-Executive Director</i> )
Ms. Teo Gim Suan	- Member ( <i>Independent Non-Executive Director</i> )
Datuk Lim Nyuk Sang @ Freddy Lim	- Member ( <i>Non-Independent Executive Director</i> )

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.

In the selection process of a candidate for directorship before recommending to the Board of Directors, the Nomination Committee takes into consideration the candidate's qualifications such as the necessary skills, experience, knowledge, professionalism, competencies and commitment.

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

For the financial year ended 31 December 2016, the Committee held one (1) meeting attended by all its members. A week prior to this meeting, members of the Committee had individually undertaken a written evaluation to assess on the effectiveness of the Board and Board Committees in the following areas:-

- Assessment of the Board as a Whole
  - \* Assessment on Board Mix and Composition which included reviewing the right blend of knowledge and experience to optimize performance and strategy, the roles and responsibilities of the Board and individual Directors clearly defined in the Board Charter, Board deliberations bringing value to improve the quality of Management's decision-making and the Directors' compliance with the Company's independence policies or code of conduct/ethics without any breaches.
  - \* Evaluation of Quality of Information and Decision-Making which included assessing the sufficiency of financial information in relation to the Company's business provided before Board meetings, abstention from deliberation and decision-making by Directors relating to matters on conflicts of interest including related party transactions and the adequacy of access to management and/or the Chairman.
  - \* Review of Boardroom Activities which included evaluating the Board's understanding of its role, authority and priorities, the Board's adequacy in identifying and managing risks that may have a considerable impact on the Company, significant input by the Directors and the amount of time devoted to discussing the business strategy of the Company and the Directors' adequacy of time commitment to the affairs of the Company during the year.

- Review on the Board Committees (Nomination, Audit, Remuneration and Risk Management)
  - \* Appraisal on the right composition of each Committee.
  - \* Review on the recommendations by each Committee whether useful to assist the Board in better decision-making.
  - \* Assessment on individual member of each Committee for sufficient and relevant expertise in fulfilling his role.
  - \* Appraisal on the chairman of each Committee for the proper discharge of his responsibilities and providing appropriate reporting and recommendations to the Board.
  - \* Review on whether the responsibilities of the position, including the ability, experience and expected performance of the Board and Committee chairmen were properly considered.
  - \* Review on the quality of communications by each Committee.
  - \* Assessment on whether the meeting minutes of each Committee were well prepared and comprehensively minuted.
  - \* Assessment on whether the Board was well informed on a sufficiently timely basis regarding each Committee's deliberations.

The Committee annually reviews the required mix of skills and experience, assesses the effectiveness of the Board and evaluates the Board as a whole, individual director and Board committees. The Terms of Reference of the Nomination Committee defining the scope of authority, responsibilities and duties are made available on the Company's website at <http://www.kretam.com>.

During the meeting, the Committee reviewed and deliberated on the individual evaluations and was pleased with the generally good rating on the composition and mix of the existing Board and Board committees. The Committee also assessed and was satisfied with the contributions of each individual Director.

The Secretary was in attendance to record the proceedings of the meeting.

**(e) Risk Management Committee**

The Risk Management Committee consists of the following:-

Wong Len Kee	- Chairman ( <i>Non-Independent Executive Director</i> )
Datuk Lim Nyuk Sang @ Freddy Lim	- Member ( <i>Non-Independent Executive Director</i> )
Ho Sui Ting	- Member ( <i>Non-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.

The Committee meets twice annually. A week prior to each meeting, the Committee members are provided by the Risk Management Units ("RMUs") of the Plantation Division, Oil Refinery Division, Fertiliser Plant and Corporate Office with risk assessment reports of operational, financial and business risks that had been identified. During the meetings, the heads of the RMUs responsible for monitoring and managing risks in their respective area of responsibility, report to the Committee on the status and impact of the risks and the mitigating actions implemented to control such risks.

Risks are gauged on their likelihood of occurrence and magnitude of impact and those rated as high or significant will be reviewed together with the mitigating controls. Significant risks and control issues will be reported 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 three (3) members from the Board and one (1) member from the 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 Bursa Securities and Securities Commission;
- 3) Accessibility of the Group's Annual Report, Quarterly Results announcements and other announcements through the Bursa Securities website at [www.bursamalaysia.com](http://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 fourteen (14) days before a general meeting, or at least twenty-one (21) days before an AGM or a general meeting where any special resolution is to be proposed, together with the related circular.

The special business in the Notice of AGM is accompanied with full explanatory notes of the effects of the proposed resolutions to facilitate full understanding and to help shareholders make informed decisions at the AGM.

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.

The MCCG 2012 recommends putting substantive resolutions to vote by poll at Annual General Meetings and encourages electronic poll voting. The Board is of the view that the Company will not implement electronic poll voting as the cost outweighs the benefits.

## **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, annual audited financial statements as well as the Management Discussion and Analysis in the Annual Report.

**(b) Statement Of Directors' Responsibility For Preparing The Financial Statements**

The Statement of Directors' Responsibility For Preparing The Financial Statements is set out on page 16.

**(c) Risk Management and 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 20.

**(d) Relationship With The External Auditors**

The Company has established a formal and transparent relationship with the external auditors in line with the auditors' professional requirements ensuring compliance with the accounting standards in Malaysia.

Prior to the provision of any engagement of non-audit services by the external auditor, the Audit Committee will review and approve the acceptance of such engagements. Non-audit services provided by the external auditors and their affiliates during the financial year 2016 were in respect of services rendered for the review of the Statement of Risk Management and Internal Control as required under the MMLR and provision of taxation services.

During the financial year ended 31 December 2016, the Audit Committee relied on the written assurance obtained from the external auditors confirming their independence throughout the conduct of the audit engagement.

The Audit Committee had reviewed the suitability and independence of Messrs Ernst & Young and had recommended the re-appointment of Messrs Ernst & Young as external auditors of the Company for the ensuing year to the Board. The Board, having considered the recommendation, was satisfied with the competency, performance and independence of Messrs Ernst & Young and further recommended the re-appointment as the Company's external auditors for shareholders' approval at the forthcoming AGM.

**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 2016 amounted to RM72,000.

**(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 2016.

**(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 2016 were as follows:-

Nature of Transaction	Related Party	Total Value Transacted During The Year (RM '000)
Purchase of Crude Palm Oil by Green Edible Oil Sdn Bhd ("GEOSB") <sup>1</sup>	Malsa Corporation Sdn Bhd ("MCSB") <sup>2</sup>	16,892
Purchase of Empty Fruit Bunch by GEOSB <sup>1</sup>	MCSB <sup>2</sup>	35
Rental of Jetty by GEOSB <sup>1</sup>	Priceworth Industries Sdn Bhd ("PISB") <sup>3</sup>	39
Purchase of Water by GEOSB <sup>1</sup>	PISB <sup>3</sup>	38
Purchase of Fresh Fruit Bunch by Syarikat Kretam Mill Sdn Bhd <sup>4</sup>	MPK Plantations Sdn Bhd ("MPK") <sup>5</sup>	117
Administrative Fees for services provided to Abedon Enviro Sdn Bhd ("AESB") <sup>6</sup>	Abedon Sdn Bhd ("ASB") <sup>7</sup>	60

*1 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 which is a wholly-owned subsidiary of Priceworth International Berhad ("PIB"). LNF is also a director and major shareholder of PIB*

*4 Wholly-owned subsidiary of KHB*

*5 Wong Len Kee ("WLK"), a Director and shareholder of KHB, has direct interests in MPK*

*6 Indirect 70%-owned subsidiary of KHB. Enviro Venture Sdn Bhd ("EVS") owns the remaining 30% equity interest in AESB. Chiam Yaw Chung and Mun Khai Yip are common directors in AESB and EVS. FLNS and WLK are common directors in AESB and ASB*

*7 Wholly-owned subsidiary of KHB*

**This Corporate Governance Statement was approved by the Board on 7 April 2017**

# *Statement Of Directors' Responsibility*

## *For Preparing The Financial Statements*

The Directors are required by the provisions of the Companies Act, 2016 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the 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

The Audit Committee ("AC" or "the Committee") of KHB is pleased to present the AC Report for the financial year ended 31 December 2016.

The AC of KHB was established in 1994 to serve as a committee of the Board. In carrying out its responsibilities, the AC is guided by its Terms of Reference ("TOR") which are available on KHB's website at <http://www.kretam.com>.

## A. COMPOSITION OF AC AND ATTENDANCE AT AC MEETINGS

4 meetings were held during the financial year ended 31 December 2016 and details of the AC members and record of their attendance at the meetings are as follows:-

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> )	4 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 by invitation.

## B. SUMMARY OF ACTIVITIES OF THE AC DURING THE FINANCIAL YEAR

Pursuant to the TOR of the AC, the main activities undertaken by the Committee during the financial year ended 31 December 2016 were as follows:-

### External Audit

- Reviewed the external auditors' scope of work and audit plan for the financial year prior to the commencement of the audit work.
- Met with the external auditors twice during the financial year without the presence of any executive Board member, to review and deliberate on the results, issues and audit report arising from the audit by the external auditors.
- Evaluated the performance of the external auditors and their audit fees and made recommendations to the Board of Directors for approval.

### Financial Results And Financial Matters

- Reviewed the following unaudited quarterly results of the Group before recommending them to the Board for approval for announcements thereof to Bursa Securities and Securities Commission:

Unaudited Quarterly Results
Unaudited quarterly results for the quarter ended 31 December 2015
Unaudited quarterly results for the quarter ended 31 March 2016
Unaudited quarterly results for the quarter ended 30 June 2016
Unaudited quarterly results for the quarter ended 30 September 2016

- Reviewed the audited financial statements of the Company for the financial year ended 31 December 2015 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 them to the Board for approval.

#### **Annual Report**

- Reviewed the following statements of the Company for the financial year ended 31 December 2015 before recommending them to the Board for approval for inclusion in the Annual Report 2015:-

<b>Annual Report 2015</b>
Audit Committee Report
Chairman's Statement
Statement of Corporate Governance
Statement of Risk Management And Internal Control

#### **Internal Audit**

- Reviewed with the Internal Audit Function ("IAF") on their audit plan to ensure that the extent of the scope and coverage of the activities of the Company and the Group is adequate.
- Reviewed the adequacy of the scope, functions, competency and resources of the IAF and their audit fees and made recommendations to the Board of Directors for approval
- Reviewed and deliberated on reports of the IAF on findings arising from their visits to the Group's plantations, mills, refinery and fertiliser plant, their recommendations and the Management's responses thereto and ensured that material findings were addressed by Management.

#### **Related Party Transactions Including Recurrent Related Party Transactions**

- 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.
- Reviewed the Circular to Shareholders in relation to the proposed shareholders' mandate for RRPTs.

### **C. SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION**

The activities of the IAF which is outsourced to Messrs FS Chen & Associates, are as follows:-

- Carrying out 5 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 AC.

The IAF has incurred expenses amounting to RM85,957 during the financial year ended 31 December 2016.

### **D. 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 2016.

# *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.

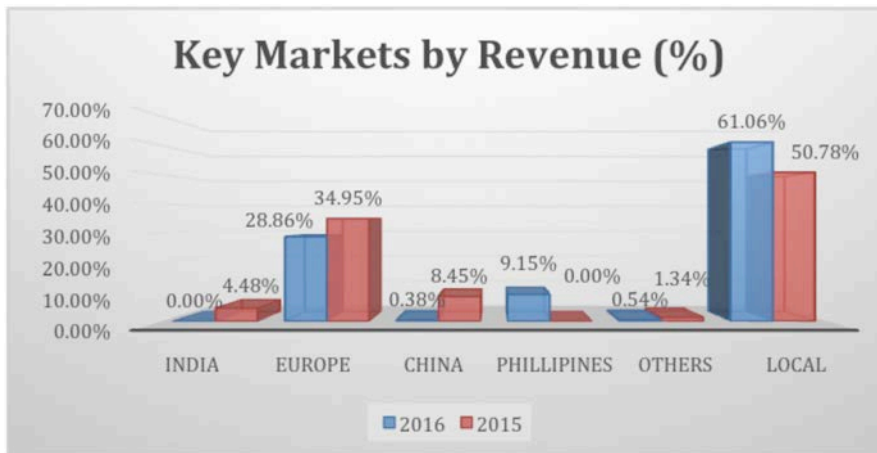
The Board had reviewed the Group's need for an internal audit department, and for the time being is of the opinion that the Group's needs can be met adequately by outsourcing the internal audit function. Presently Messrs FS Chen & Associates, a firm of chartered accountants, provides such outsourced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

# Management Discussion & Analysis

## BUSINESS OPERATIONS

Kretam Holdings Berhad (“KHB”) a Sabah based medium-sized oil palm plantation company together with its subsidiaries (“the Group”) has a total land bank of 23,865 hectares of which 18,425 hectares are matured hectares located in 3 regions mainly in Sandakan, Tawau and Lahad Datu.

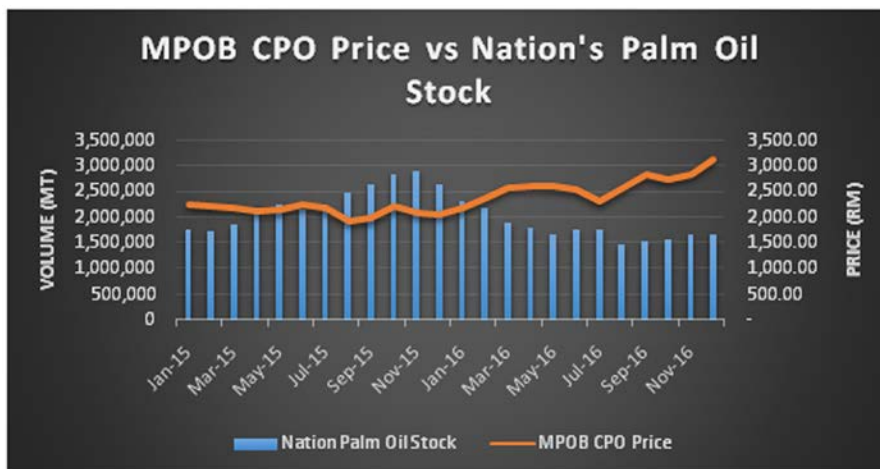
Apart from plantation, the Group has other downstream operations relating to oil palm. Currently, the Group has 3 fully-operational oil mills with a total capacity of 135 metric tonnes per hour, a refinery with a capacity to process 1,500 metric tonnes of crude palm oil per day and a 300 metric tonnes per day bio-diesel plant. The Group also has a 30,000 metric tonnes per annum fertilizer plant.



The Group's key markets by revenue are mainly with Europe as our highest overseas client.

## 2016 TRENDS AND EVENTS

2016 saw the upward trending in Crude Palm Oil (CPO) prices which resulted from lower output in fresh fruit bunch (FFB), the nation's dwindling palm oil stock and the depreciation of Malaysian Ringgit against the US Dollar. At its lowest, the nationwide palm oil stocks were at 1.46 million tonnes (in August 2016), a 49.7% drop from its all-time high of 2.91 million tonnes.



For the past two years, weather has played a huge part in shaping the Group's overall performance. Since 2015, Malaysia and in particular the State of Sabah had experienced a long El-Nino weather phenomenon. This dry weather had drastically reduced the production of FFB. The FFB production had dropped from 348,681 mt in 2015 to 298,731 mt in 2016, a 14.3% decline.

After the 1<sup>st</sup> Quarter of 2016, it was evident that the prolonged El-Nino would have an adverse effect on the Group's performance. The Plantation Division had therefore initiated a cost-saving exercise whereby we have prioritized our expenditure and embarked on a cost-cutting exercise whilst ensuring that the fertilizer programme would not be affected.

Throughout 2016, the Plantation Division had been facing labour shortage and the effect of increase in minimum wages from RM800 to RM920 per month. To counteract these labour issues, the Group has increased the area using buffalo as a means of in-field FFB evacuation to improve labour productivity. The adoption of cattle grazing areas by the Group has also reduced weeding cost.

Despite all these challenges, the Group managed to strive through the year with one of the best performing years in terms of Net Profit seen in the last four years as shown below in the 5 years' Financial Snapshot.

#### 5 YEARS' FINANCIAL SNAPSHOT

	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Revenue	378,500	408,159	439,555	362,266	252,297
Gross profit	93,645	62,492	83,173	76,199	81,768
Profit before interest and tax	38,060	6,626	26,452	23,236	56,990
Finance costs	(5,361)	(5,544)	(4,525)	(2,503)	(1,466)
Net profit/(loss) attributable to owners of the Company	20,159	(4,825)	10,684	15,043	39,567
Net profit/(loss) attributable to non-controlling interests	(104)	(97)	75	150	133
Net profit/(loss)	20,055	(4,922)	10,759	15,193	39,700
Equity attributable to owners of the Company	919,646	922,315	927,140	915,832	896,874
Non-controlling interests	2,224	2,407	2,805	3,152	3,223
Shareholders equity	921,870	924,722	929,945	918,984	900,097
Total assets employed	1,243,123	1,181,225	1,216,499	1,174,696	1,083,769
Total borrowings	152,426	113,770	136,871	105,478	34,489
Debt/Equity (%)	16.53%	12.30%	14.72%	11.48%	3.83%
Earnings/(loss) per share (diluted) - sen	0.87	(0.19)	0.48	0.67	1.73
Net assets per share (diluted) - sen	39.6	39.7	40.0	39.5	38.7
Proposed dividend per share (RM)	0.01	0.00	0.00	0.00	0.00

Compared with the previous 4 years' performance, 2016 had been a year with lower revenue and higher net profit. 2016 had also shown higher total borrowings as compared to the last 4 years. The higher borrowings were partly reflecting the Group's higher total assets employed.

Decrease in revenue of around RM 29.66 million in 2016 was mainly attributed to the lower FFB output in the Plantation Division and lower product sales in the Refinery Division.

However, for profit before interest and tax, the Group recorded a 474% or RM31.43 million increase when compared to 2015. The higher profit before interest and tax was mainly due to higher commodities prices enjoyed during the 2<sup>nd</sup> half of 2016.

The increase in total assets employed by RM61.90 million was due to:

- a. increase in refinery production at the end of 2016. The increase in inventories production was to meet our January 2017 shipment commitment.
- b. capital investment on the Biogas Plant and Fertilizer Plant. A total of RM 3.9 million and RM 8.7 million respectively had been invested in both projects in 2016.

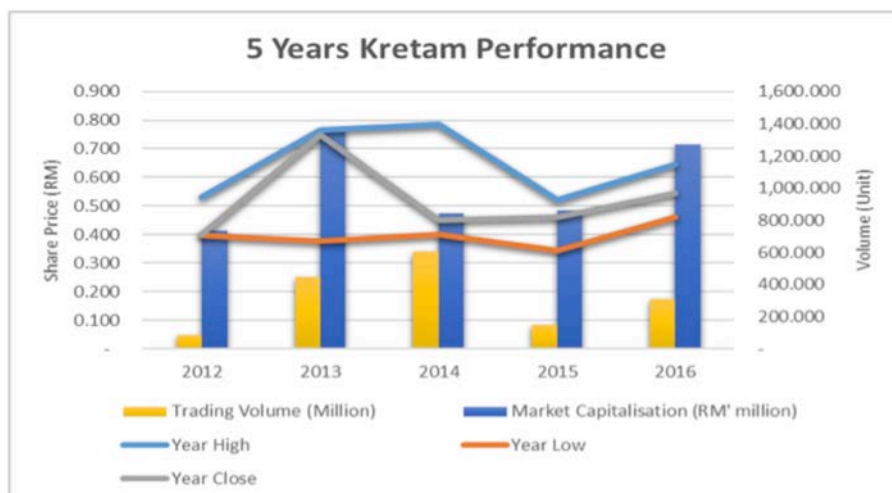
The subsequent increase in total assets employed has also contributed to the increase in total borrowings for the Group. The increase was due to:

- a. bankers' acceptance drawdown of RM304.4 million and RM247.3 million repaid during the year. A net of RM57.1 million was utilized by the Group to meet its trade requirements.
- b. A net repayment of RM5.0 million of revolving credits facilities was being made.
- c. RM 11.0 million of term loans and RM 1.4 million of finance leases being repaid in 2016.

In 2016, two lots of ICPS conversion were made, one on 4<sup>th</sup> Jul 2016 and the second lot on 9<sup>th</sup> Dec 2016 with a total of 452,608,695 ordinary shares being issued. As at 31<sup>st</sup> Dec 2016, the total ordinary shares issued was 2,327,627,135 shares.

On 13 December 2016, the Company proposed an interim dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2016 amounting to RM 23,276,271.35. The dividend was subsequently paid on 16 January 2017.

## SHARE PERFORMANCE:



## DIVISION PERFORMANCE:

For better insights of each division performance, the Group has reproduced the segments' results below for further commentary:

	2016 RM'000	2015 RM'000
<b>Sement revenue</b>		
- Plantations and mills	254,728	243,761
- Refinery	260,506	283,988
less: Adjustments and eliminations	(136,734)	(119,590)
	<b>378,500</b>	408,159
<b>Segment results</b>		
- Plantations and mills	54,740	27,646
- Refinery	(14,446)	(23,405)
less: Adjustments and eliminations	(7,595)	(3,159)
	<b>32,699</b>	1,082

## Plantation Division

The Plantation Division, which consists of estate and mill operations, recorded a total revenue of RM254.7 million (2015: RM243.8 million) and pre-tax profit of RM54.7 million (2015: RM27.6 million). The increase in pre-tax profit followed the upward trend in CPO prices, with an average selling price of RM2,580 (2015: RM2,125) achieved.

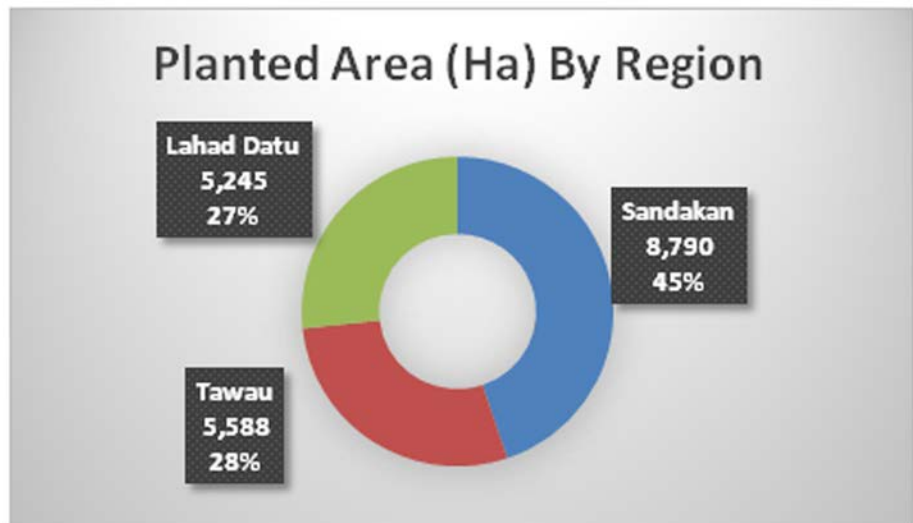
The table below summarizes our Plantation Division's key performance indicators, which are then compared to the MPOB averages for Sabah Region:

	2016	2015	% increase / (decrease)
<b>FFB Production (tons)</b>	298,731	348,681	(14.3%)
<b>FFB Yield (tons per hectare)</b>			
- our Group	16.21	19.44	(16.6%)
- MPOB Sabah Average	17.10	19.99	(14.5%)
<b>Oil Extraction Rate (%)</b>			
- our Group	20.99%	21.54%	(2.6%)
- MPOB Sabah Average	21.10%	21.57%	(2.2%)
<b>Oil Yield (tons per hectare)</b>			
- our Group	3.40	4.19	(18.9%)
- MPOB Sabah Average	3.61	4.31	(16.2%)

In terms of FFB and oil yields, our Plantation Division was below the Sabah Average. This was mainly due to the longer El-Nino phenomenon as early as in 2013 experienced by our Plantation.

As of 31 December 2016, The Group's planted area with oil palms are 19,623 hectares.

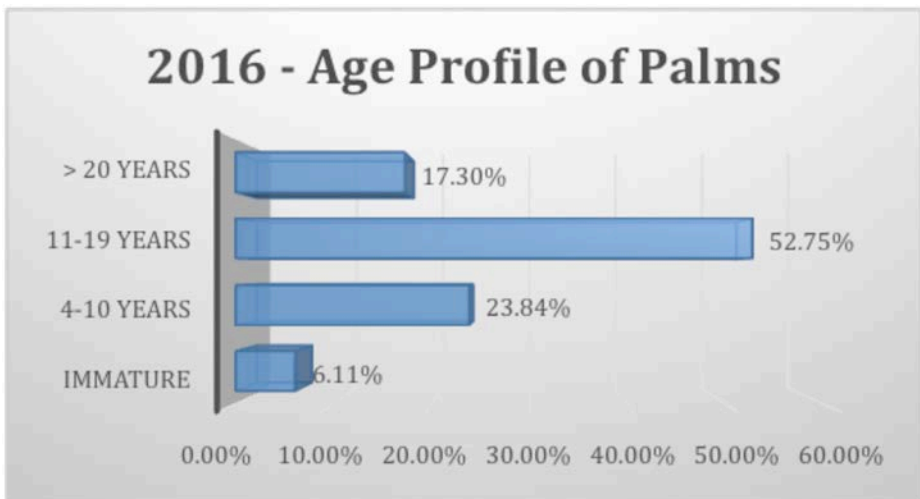
A total of 18,425 hectares are matured area and 1,198 hectares are still immature.



In 2016, the Group has replanted 577 hectares of land.

Sandakan Region – 237 hectares replanted

Lahad Datu Region – 340 hectares replanted



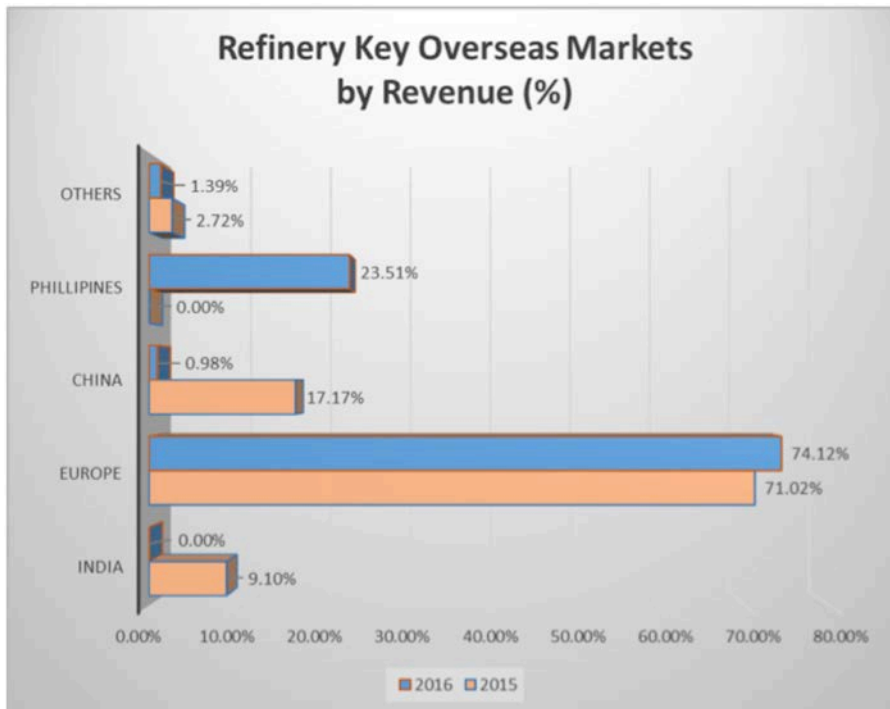
In order to remain a sustainable business, the Plantation Division will focus on the following:

- a. Remain focused on our planned Replanting Programme
- b. Look at ways and means to improve the welfare of our employees
- c. Practise Good Agriculture practices
- d. Attain RSPO and MSPO certifications for all three Regions by 2018

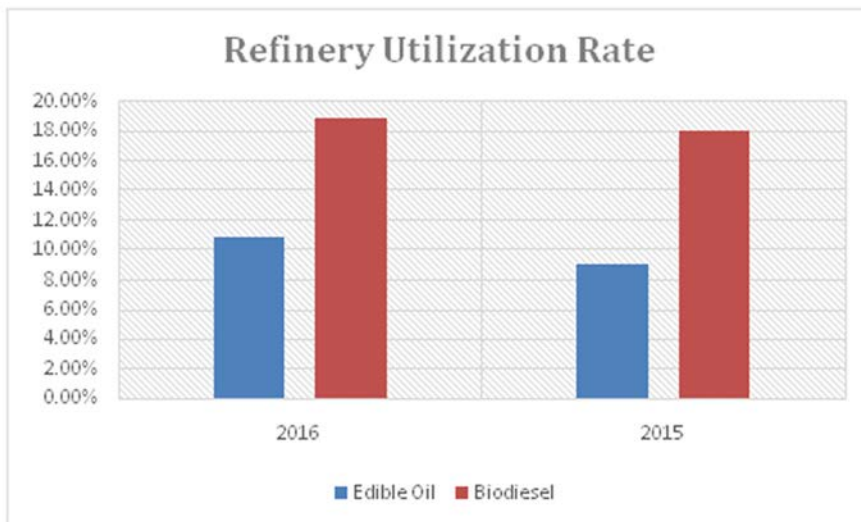
### Refinery Division

The Refinery Division recorded a total revenue of RM260.5 million (2015: RM284.0 million) and pre-tax loss of RM14.4 million (2015: loss of RM23.4 million). The drop of RM23.5 million in revenue was due to lower sales volume in 2016 as compared to 2015, as a result of the overall decrease in output of CPO in the region during the year.

During the year, the refinery processed a total of 48,937 tons of CPO (2015: 40,859 tons). A further 43,478 tons (2015: 78,852 tons) of CPO were directly sold due to somewhat favourable opportunities for trading gains that arose at various times during the year. The refinery, through its trading and marketing office in Kuala Lumpur has also expanded its overseas marketing footprint and customer base during the year.



During the year under review, the overall refinery utilization rate has increased, from 10.58% in 2015 to 12.22% in 2016.



The rise in commodities prices and increase in overall refinery utilization have subsequently improved the overall performance of the Refinery Division. The pre-tax loss has reduced by more than 50% as compared to 2015.

With the jetty of Sandakan Palm Oil Industry Clusters (POIC) coming into operation at the end of 2016, the Group is expecting a better outlook for the Refinery Division in the coming years especially in the export delivery of finished goods.

## **OUTLOOK FOR THE IMMEDIATE FUTURE**

Although FFB production for 2016 was disappointing, it is fair to note that FFB production is cyclical. The Group is confident that our FFB production will improve in the near future. With the expectation of improved FFB production, it will also likely result in softening of commodities prices, despite the current CPO prices hovering well above 2016 average CPO prices of RM2,657.50 in the 1<sup>st</sup> quarter of 2017.

This will result in a more challenging environment for the year ahead and will require effective utilization of various instruments to hedge and protect profit margins. At the same time, a wider acceptance among our trade counterparties and the commencement of operations of the jetty of Sandakan POIC will allow better options and avenues for products delivery.

Both Plantation and Mill in Sandakan Region currently possess the ISCC and RSPO certifications. Further RSPO certification is currently in progress for the other two regions with Lahad Datu Region in 2017 and Tawau Region in 2018.

Upon certifications for the remaining regions, the Board is expecting the Group to have more certified products to provide the Group with a competitive edge in the market and in turn result in a healthier overall performance.

# Sustainability Statement

We are committed to strive towards sustainable development whenever practical that will ensure a sustainable future. We have adopted best practices from the industry into our daily operations, and throughout the entire operation. We believe that a viable business is not only driven by profit but how we generate the profit without compromising the future.

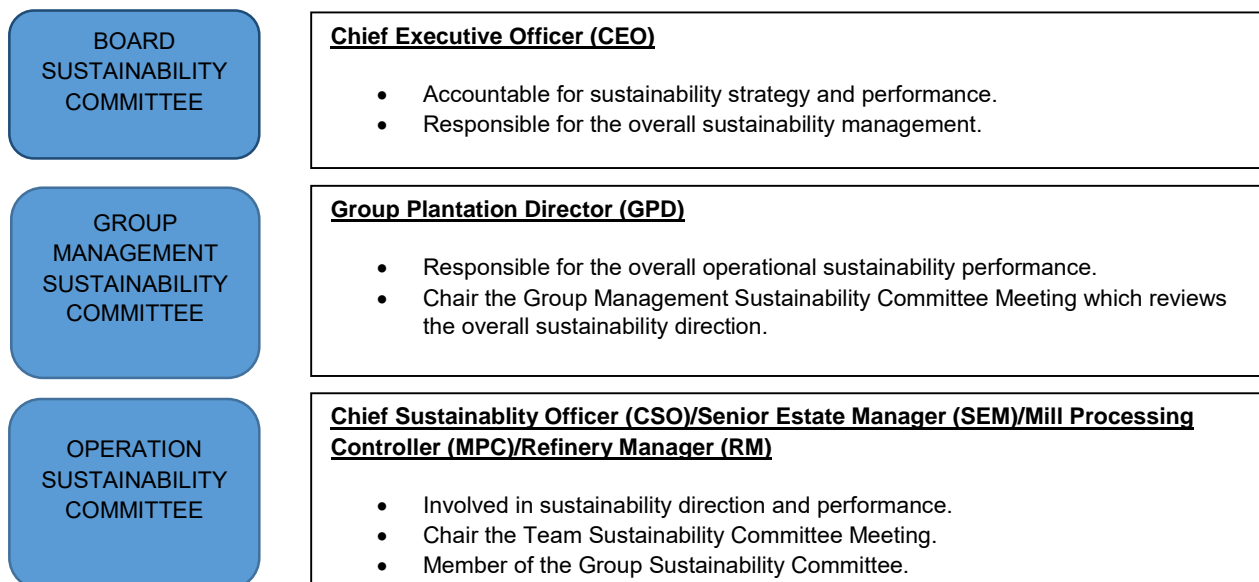
Since the year 2000, we have been actively embarking in projects that protect the environment and investing in our employees. We have to understand that natural resources are at our disposal, the kind of waste our business generates and how we manage the wastes so that they will not cause harm to the environment.

Therefore, we prepare our business activities towards getting the Roundtable on Sustainable Palm Oil (RSPO) certification from 2015 onwards. We were certified by RSPO for our Refinery and our mill and estates in Sandakan Region on 15 June 2016. The whole group is targeted to be fully certified by 2018.

## Sustainability Governance

We recognize sustainability as the key driver of our business. The Board is accountable for sustainability strategy and performance while our Chief Executive Officer (CEO) has the overall management responsibility for sustainability and the Group Plantation Director (GPD) is responsible for the overall operational sustainability performance.

Our Governance Structure:



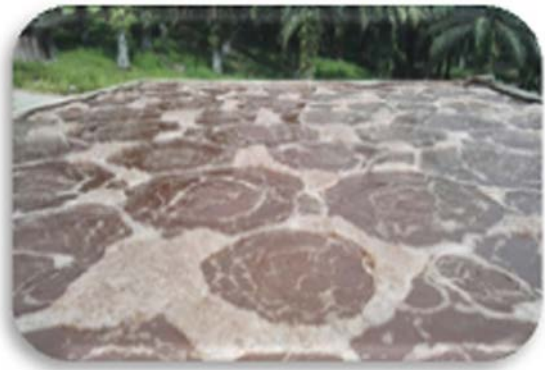
## The Scope Of Our Sustainability Statement

The scope of our sustainability statement for the Year ended 31 December 2016 contains our Sustainability Statements on the following identified materials that are important to our business.

## ENVIRONMENT

### 1. Improving Our Wastewater Treatment Systems

We are committed to lower the Biochemical Oxygen Demand (BOD) of our operations before it reaches the final discharge point, by exploring new ways of treating our Palm Oil Mill Effluent (POME) and improving on existing treatment systems. We are currently using several tertiary waste treatment systems: (1) mechanical system, which is the Membrane Filtration System at our Kretam Mill Sandakan; (2) biological treatment system at our Abedon Mill Lahad Datu; and (3) chemical treatment system at our Silimpopon Mill Tawau.



### 2. Carbon Reduction Strategy

We are committed to reduce carbon emission and manage waste effectively. We are having a Composting Plant at our Abedon Mill Lahad Datu for composting Empty Fruit Bunches (EFB) and along with other palm oil mill waste to produce compost, or natural fertilizer. This is applied at estates as a soil conditioner that provides essential nutrients for our oil palms.

We have a Biogas plant, currently in the final stage of construction, at our Kretam Mill Sandakan to capture methane from the biogas activator. When it is commissioned, it will supply electrical power to the mill and residents at our mill's housing and office.



### 3. Biodiversity

We are committed to avoid deforestation of primary forest as well as High Carbon Stock (HCS) & High Conservation Value (HCV) area. Our efforts to reduce the Biodiversity risk of our operations include no clearing on primary / natural forests and HCV areas. We have a total area of 2,600 hectares which have been left unplanted. We are also planting trees along the rivers, roads, and boundaries. Our target is to plant 1 million trees by 2025.

We comply with zero burning principle. We also protect and conserve endangered, rare and threatened (ERT) species and ensure no hunting within our operations.

We have our Sustainability and Environmental Policy to guide us.



#### 4. **Integrated Farming – Cattle Projects**

We are committed to reduce our dependency on weedicides to reduce harm to the environment by introducing Cattle Projects into our plantation.



### **SOCIAL**

#### 1. **Human Rights**

We are committed to respect, support and uphold fundamental human rights as expressed in the Universal Declaration for Human Rights and the United Nations Guiding Principles on Business and Human Rights. We protect and respect the rights of communities living within and around our operations, creating positive impact through proactive engagement and collaboration.

We are committed to the protection of children's rights in our operations, undertaking actions to eliminate child labour. We are providing access to education for our employees' children including our immigrant workers by having Community Learning Centres at our estates and mills.

We are committed to being an equal opportunity employer. We respect our employees' rights without any discrimination, with regards to freedom of association, their freedom of movement and their rights for a safe and healthy working environment.

As a big portion of our workforce is made up of migrant workers, we are committed to ensure the credibility and transparency of their recruitment process, and that they receive sufficient protection from human trafficking and exploitation in any form.

We pay special attention to employee engagement, enhancing workforce effectiveness and diversity, transparency and strengthening grievance mechanisms to drive sustainable performance.

We have policies such as Human Rights Policy, Social Policy, and Health & Safety Policy. We also have procedures on Information Request, Consultation & Communication Procedure, Complaint & Grievance Procedure, and Sexual Harassment Procedure.

#### 2. **Safety & Health**

We are committed to provide a safe and healthy working environment to our employees and other people doing business at our workplace. We comply with OSHA requirements. We have our Safety & Health and Emergency Response policies & procedures established and implemented. We have our Safety and Health performance monitoring & reporting. We conduct regular safety training, dialogues & roadshows and have dedicated Safety & Health committees.



**3 Welfare**

We are committed to provide medical services and insurance to our employees. We also provide access to education to our employees children.

**RSPO**

We are committed to comply with the RSPO principles and criteria.

**Detailed Disclosures**

We are committed to provide detailed disclosures including the indicators of all the identified relevant materials to demonstrate our performance in managing the sustainability matters in our Sustainability Statements for next year and beyond.



# Plantation Statistics

2012 to 2016

		2016	2015	2014	2013	2012
<b>OIL PALM</b>						
Production	(tonnes FFB)	298,731	348,681	379,705	367,258	373,704
Yield per hectare	(tonnes FFB)	16.21	19.44	22.46	22.23	21.80
FFB Purchased	(tonnes FFB)	76,965	100,533	111,605	76,242	72,691
<b>MILL</b>						
Production						
- Crude Palm Oil	(tonnes)	78,042	95,373	103,520	92,574	73,268
- Palm Kernel	(tonnes)	17,598	21,188	22,974	20,930	16,430
Extraction Rates						
- Crude Palm Oil	(%)	20.99	21.54	21.23	20.89	20.60
- Palm Kernel	(%)	4.73	4.78	4.71	4.72	4.62
<b>AREA</b>						
Oil palm in harvesting	(hectares)	18,425	17,938	16,907	16,523	17,142
Oil palm immature	(hectares)	1,198	1,699	2,733	3,319	2,739
<b>TOTAL</b>		<b>19,623</b>	<b>19,637</b>	<b>19,640</b>	<b>19,842</b>	<b>19,881</b>

# 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 2016.

## Principal activities

The principal activities of the Company are the operation of oil palm plantation and investment holding. The principal activities and other information relating to the subsidiaries are stated in Note 20 to the financial statements.

## Results

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit net of tax	20,055	81,685
<hr/>		
Profit/(loss) attributable to:		
Owners of the Company	20,159	81,685
Non-controlling interests	(104)	-
	<hr/>	<hr/>
	20,055	81,685
	<hr/>	

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 other than as disclosed in the financial statements.

## Dividend

The amount of dividend paid by the Company since 31 December 2015 was as follows:

	<b>RM'000</b>
In respect of the financial year ended 31 December 2016:	
Interim single-tier dividend of 1sen on 2,327,627,135 ordinary shares, declared on 13 December 2016 and paid on 16 January 2017	23,276
	<hr/>

## Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Y.Bhg. Dato' Abd. Aziz Bin Haji Sheikh Fadzir  
Pek Hak Bin (Appointed on 16 March 2017)  
Datuk Lim Nyuk Sang @ Freddy Lim  
Wong Len Kee  
Wong Chin Kwong  
Tan Kung Ming  
Teo Gim Suan  
Lee Hock Leang (Resigned on 4 August 2016)

The names of the directors of the subsidiaries of the Company in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Chiam Yaw Chung  
Ho Sui Ting  
Leong Sai King  
Liaw Chin Loi  
Lim Chee Zee  
Lim Kim Lu  
Long Foo Chuen  
Mau Kam Wai (Appointed on 26 August 2016)  
Mun Khai Yip  
Sayed Jaafar Bin Sayed Ibrahim  
Shim Thou Hung (Appointed on 26 August 2016)  
Chong Yun Shen (Resigned on 1 September 2016)  
Johan Bin Nasir Yeo (Resigned on 26 August 2016)

## 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 33 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 RM0.20 each				31.12.2016
	1.1.2016	Conversion of ICPS into Ordinary Shares	Acquired	Sold	
<b>Direct interest:</b>					
Datuk Lim Nyuk Sang @ Freddy Lim	1,134,743,080	-	-	-	1,134,743,080
Wong Len Kee	33,016,085	-	-	-	33,016,085
<b>Indirect interest:</b>					
Datuk Lim Nyuk Sang @ Freddy Lim	48,248,905	452,608,695	-	-	500,857,600
Wong Len Kee	50,000	-	50,000	-	100,000

	← Number of ICPS of RM0.20 each →			
	1.1.2016	Acquired	Conversion of ICPS into Ordinary Shares	31.12.2016
<b>Indirect interest:</b>				
Datuk Lim Nyuk Sang @ Freddy Lim	452,608,695	-	(452,608,695)	-

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, the Company issued 452,608,695 fully paid-up ordinary shares of RM0.20 each pursuant to the conversion of 452,608,695 ICPS of RM0.20 each.

The new ordinary shares issued during the financial year ranked paripassu 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 events

Significant events are disclosed in Note 40 to the financial statements.

**Auditors and auditors' remuneration**

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

Auditors' remuneration are disclosed in Note 9 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 April 2017.

**Datuk Lim Nyuk Sang @ Freddy Lim**

**Wong Len Kee**

# *Statement By Directors*

*Pursuant to Section 251(2) of the Companies Act, 2016*

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 44 to 146 in accordance with Financial Reporting Standards and 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 2016 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 42 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 12 April 2017.

**Datuk Lim Nyuk Sang @ Freddy Lim**

**Wong Len Kee**

# *Statutory Declaration*

*Pursuant to Section 251(1)(b) of the Companies Act, 2016*

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 44 to 147 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 12 April 2017.

**Lim Chee Zee**

Before me,

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

# *Independent Auditors' Report*

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

## **Report on the audit of the financial statements**

### *Opinion*

We have audited the financial statements Kretam Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 44 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

### *Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

### *Independence and other ethical responsibilities*

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accounts' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

### *Goodwill impairment review*

Refer to Note 19 to the financial statements.

As at 31 December 2016, the carrying amount of goodwill recognised by the Group amounted to RM42.8 million, representing 4.49% and 3.44% of the Group's total non-current assets and total assets respectively. This goodwill relates to the subsidiaries principally engaged in the cultivation of oil palm business. The Group is required to perform annual impairment test of the cash generating units ("CGUs") or group of CGUs to which this goodwill has been allocated. The Group estimated the recoverable amount of its CGUs or groups of CGUs to which the goodwill is allocated based on fair value less costs of disposal of the CGUs determined by the executive board using the best information available.

Due to the significance of the amount and the complexity and subjectivity involved in the annual impairment test, we consider this impairment test to be an area of audit focus. Specifically, we focus on the evaluation of the assumptions on the estimated market value of the oil palm plantations in the CGUs.

Our audit procedures included, among others, evaluating and challenging the reasonableness and appropriateness of assumptions and methodologies used by the Group, and also considered the independence, reputation and capabilities of its external valuer used to estimate the fair value of the oil palm plantations. In addition, we also compared the outcome of recent transactions for similar assets within the same industry. We also focused on the identification of CGUs and the adequacy of the Group's disclosures on the assumptions that have the most significant effect in the determination of the fair value of the CGUs.

*Impairment assessment of property, plant and equipment*

Refer to Note 3(c) and Note 15(iii) to the financial statements.

The Group is required to perform impairment test on non-current assets, or the cash generating units ("CGU") to which the non-current assets are allocated to whenever there is an indication that the CGU may be impaired by comparing the carrying amount with its recoverable amount.

Due to the continued losses and low utilisation rate of the Group's CGU relating to the refinery business, an impairment assessment of the CGU was carried out by the Group. The Group estimated the recoverable amount of the CGU using Value In Use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the CGU, and discounting them at an appropriate rate. The aforementioned impairment review gave rise to an impairment loss of RM2.456 million for the year ended 31 December 2016.

This impairment review is significant to our audit because the assessment process is complex and is based on assumptions that are highly judgmental.

We focused on the assessment of whether the assumptions on the future utilisation rates are supportable when compared to the industry past long-term trends. We also assessed the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset.

We also evaluated the adequacy of the disclosures of each key assumption on which the Group has based its cash flow projections. Key assumptions are those to which the recoverable amount is most sensitive, as disclosed in Note 15(iii) to the financial statements.

#### *Information other than the financial statements and auditors' report thereon*

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

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

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

#### *Responsibilities of directors for the financial statements*

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

#### *Auditor's responsibilities for the audit of the financial statements*

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Other reporting responsibilities**

The supplementary information set out in Note 42 on page 147 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 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039

Chartered Accountants

Sandakan, Malaysia  
12 April 2017

Kwan Bitt Jing @ Winnie Kwan  
3257/05/18(J)

Chartered Accountant

# Statements Of Profit Or Loss

For the financial year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Revenue</b>	4	378,500	408,159	118,285	47,172
Cost of sales	5	(284,855)	(345,667)	(24,411)	(29,718)
<b>Gross profit</b>		93,645	62,492	93,874	17,454
<b>Other items of income</b>					
Interest income	6	1,071	932	585	570
Other income	7	3,957	6,590	199	7,901
<b>Other items of expense</b>					
Marketing and distribution costs		(34,528)	(33,557)	(1,395)	(1,881)
Administrative expenses		(20,562)	(19,792)	(6,400)	(6,259)
Finance costs	8	(5,361)	(5,544)	(149)	(333)
Other expenses		(5,523)	(10,039)	(227)	(2,671)
<b>Profit before tax</b>	9	32,699	1,082	86,487	14,781
Income tax expense	12	(12,644)	(6,004)	(4,802)	(3,179)
<b>Profit/(loss) net of tax</b>		20,055	(4,922)	81,685	11,602
<b>Profit/(loss) attributable to:</b>					
Owners of the Company		20,159	(4,825)	81,685	11,602
Non-controlling interests		(104)	(97)	-	-
		20,055	(4,922)	81,685	11,602
<b>Earnings/(loss) per share attributable to owners of the Company</b>		<b>sen per share</b>			
- Basic	14	1.04	(0.26)		
- Diluted	14	0.87	(0.19)		

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 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Profit/(loss) net of tax</b>	20,055	(4,922)	81,685	11,602
Other comprehensive income	-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	20,055	(4,922)	81,685	11,602
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	21,159	(4,825)	81,685	11,602
Non-controlling interests	(104)	(97)	-	-
	20,055	(4,922)	81,685	11,602

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

# Consolidated Statement Of Financial Position

As at 31 December 2016

	Note	2016 RM'000	2015 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	504,443	521,323
Investment properties	16	631	636
Biological assets	17	400,178	400,069
Land use rights	18	914	977
Intangible assets	19	42,777	42,777
Other receivables	24	4,532	6,272
		953,475	972,054
<b>Current assets</b>			
Inventories	23	139,819	84,610
Trade and other receivables	24	41,429	44,809
Derivatives	25	-	95
Tax recoverable		9,935	16,793
Cash and bank balances	26	95,536	59,905
		286,719	206,212
Assets of disposal group classified as held for sale	13	2,929	2,959
		289,648	209,171
<b>Total assets</b>		1,243,123	1,181,225
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings	27	126,935	77,609
Trade and other payables	28	73,609	45,719
Derivatives	25	1,725	1,508
Income tax payable		24	167
		202,293	125,003
Liabilities directly associated with disposal group classified as held for sale	13	1	1
		202,294	125,004
<b>Net current assets</b>		87,354	84,167

# Consolidated Statement Of Financial Position

As at 31 December 2016

	Note	2016 RM'000	2015 RM'000
<b>Non-current liabilities</b>			
Deferred tax liabilities	22	93,468	95,338
Loans and borrowings	27	25,491	36,161
		118,959	131,499
<b>Total liabilities</b>		321,253	256,503
<b>Net assets</b>		921,870	924,722
<b>Equity attributable to owners of the Company</b>			
Share capital	29	465,525	375,003
Share premium	29	280,942	169,593
Other reserves	30	35,362	236,785
Retained earnings	31	138,127	141,242
Reserves of disposal group classified as held for sale	13	(310)	(308)
		919,646	922,315
Non-controlling interests		2,224	2,407
<b>Total equity</b>		921,870	924,722
<b>Total equity and liabilities</b>		1,243,123	1,181,225

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

# Company Statement Of Financial Position

As at 31 December 2016

	Note	31.12.2016 RM'000	31.12.2015 RM'000	1.1.2015 RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	15	34,631	38,139	40,836
Biological assets	17	25,646	25,597	25,542
Investments in subsidiaries	20	544,863	544,863	544,983
Other receivables	24	284,761	200,403	-
		889,901	809,002	611,361
<b>Current assets</b>				
Inventories	23	2,167	877	748
Trade and other receivables	24	42,956	54,498	261,265
Tax recoverable		3,689	7,497	5,977
Cash and bank balances	26	28,482	20,512	22,494
		77,294	83,384	290,484
<b>Total assets</b>		<b>967,195</b>	<b>892,386</b>	<b>901,845</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Loans and borrowings	27	39	2,246	2,148
Trade and other payables	28	41,576	23,520	42,704
		41,615	25,766	44,852
<b>Net current assets</b>		<b>35,658</b>	<b>258,021</b>	<b>245,632</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	22	9,591	9,449	9,177
Loans and borrowings	27	-	39	2,286
		9,591	9,488	11,463
<b>Total liabilities</b>		<b>51,206</b>	<b>35,254</b>	<b>56,315</b>
<b>Net assets</b>		<b>915,989</b>	<b>857,132</b>	<b>845,530</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	29	465,525	375,003	375,003
Share premium	29	280,942	169,593	169,593
Other reserves	30	-	201,423	201,423
Retained earnings	31	169,522	111,113	99,511
<b>Total equity</b>		<b>915,989</b>	<b>857,132</b>	<b>845,530</b>
<b>Total equity and liabilities</b>		<b>967,195</b>	<b>892,386</b>	<b>901,845</b>

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 2016

	← Equity attributable to owners of the company, total		Attributable to owners of the Company				→ Distributable	
	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	Reserves of disposal group classified as held for sale RM'000	Retained earnings RM'000	Non-controlling interests RM'000
<b>Group</b>								
<b>At 1 January 2016</b>	924,722	922,315	375,003	169,593	236,785	(308)	141,242	2,407
Profit net of tax, representing total comprehensive income	20,055	20,159	-	-	-	-	20,159	(104)
<b>Transaction with owners</b>								
Conversion of ICPS to ordinary shares (Note 29 and Note 30)	448	448	90,522	111,349	(201,423)	-	-	-
Reserves attributable to disposal group classified as held for sale (Note 13)	-	-	-	-	-	(2)	2	-
Dividend paid (Note 32)	(23,276)	(23,276)	-	-	-	-	(23,276)	-
Dividends paid to non-controlling interests	(79)	-	-	-	-	-	-	(79)
<b>Total transactions with owners</b>	(22,907)	(22,828)	90,522	111,349	(201,423)	(2)	(23,274)	(79)
<b>At 31 December 2016</b>	921,870	919,646	465,525	280,942	35,362	(310)	138,127	2,224

# Statements Of Changes In Equity

For the financial year ended 31 December 2016

	←		Attributable to owners of the Company					→	
	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	Reserves of disposal group classified as held for sale RM'000	Retained earnings RM'000	Non-controlling interests RM'000	Distributable
<b>Group</b>									
<b>At 1 January 2015</b>	929,945	927,140	375,003	169,593	236,785	-	145,759	2,805	
Loss net of tax, representing total comprehensive loss	(4,922)	(4,825)	-	-	-	-	(4,825)	(97)	
<b>Transaction with owners</b>									
Dividends paid to non-controlling interests	(301)	-	-	-	-	-	-	(301)	
Reserves attributable to disposal group classified as held for sale (Note 13)	-	-	-	-	-	(308)	308	-	
Total transactions with owners	(301)	-	-	-	-	(308)	308	(301)	
<b>At 31 December 2015</b>	924,722	922,315	375,003	169,593	236,785	(308)	141,242	2,407	

# Statements Of Changes In Equity

For the financial year ended 31 December 2016

Company	Equity, total RM'000	← Non-distributable →			Retained earnings RM'000
		Share capital RM'000	Share premium RM'000	Other reserves RM'000	
<b>At 1 January 2016</b>	857,132	375,003	169,593	201,423	111,113
Profit net of tax, representing total comprehensive income	81,685	-	-	-	81,685
<b>Transactions with owners</b>					
Conversion of ICPS to ordinary shares (Note 29 and Note 30)	448	90,522	111,349	(201,423)	-
Dividend paid (Note 32)	(23,276)	-	-	-	(23,276)
<b>Total transactions with owners</b>	<b>(22,828)</b>	<b>90,522</b>	<b>111,349</b>	<b>(201,423)</b>	<b>(23,276)</b>
<b>At 31 December 2016</b>	<b>915,989</b>	<b>465,525</b>	<b>280,942</b>	<b>-</b>	<b>169,522</b>
<b>At 1 January 2015</b>	<b>845,530</b>	<b>375,003</b>	<b>169,593</b>	<b>201,423</b>	<b>99,511</b>
Profit net of tax, representing total comprehensive income	11,602	-	-	-	11,602
<b>At 31 December 2015</b>	<b>857,132</b>	<b>375,003</b>	<b>169,593</b>	<b>201,423</b>	<b>111,113</b>

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 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Operating activities</b>					
Profit before tax		32,699	1,082	86,487	14,781
<hr/>					
<b>Adjustments for:</b>					
Interest income	6	(1,071)	(932)	(585)	(570)
Dividend income	4	-	-	(70,082)	(313)
Net reversal of impairment loss on:					
- amounts due from subsidiaries	7	-	-	-	(3,490)
Net gain on disposal of plant and equipment	7	(98)	(45)	-	(10)
Loss on foreign exchange	9	*	80	-	-
Amortisation of biological assets	9	473	479	71	71
Amortisation of land use rights	9	63	63	-	-
Bad debts written off	9	3	31	3	8
Depreciation of property, plant and equipment	9	34,286	34,894	3,617	3,908
Depreciation of investment properties	9	5	5	-	-
Finance costs	8	5,361	5,544	149	333
Impairment loss on biological assets	9	283	338	143	48
Net fair value loss on derivatives		312	1,235	-	-
Impairment loss on investment in subsidiaries	9	-	-	-	120
Plant and equipment scrapped	9	159	123	*	*
Impairment loss on amount due from:					
- subsidiaries	9	-	-	23	2,382
Impairment loss on property, plant and equipment	9	2,456	-	-	-
<hr/>					
Total adjustments		42,232	41,815	(66,661)	2,487
<hr/>					
Operating cash flows before changes in working capital		74,931	42,897	19,826	17,268

# Statements Of Cash Flows

For the financial year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Changes in working capital</u>				
(Increase)/decrease in inventories	(55,209)	17,984	(1,290)	(129)
Decrease/(increase) in trade and other receivables	3,546	(10,726)	(129)	68
Increase/(decrease) in trade and other payables	4,015	(9,978)	(613)	243
<b>Total changes in working capital</b>	<b>(47,648)</b>	<b>(2,720)</b>	<b>(2,031)</b>	<b>182</b>
<b>Cash flows from operations</b>	<b>27,283</b>	<b>40,177</b>	<b>17,795</b>	<b>17,450</b>
Interest received	1,071	932	585	570
Interest paid	(5,218)	(5,230)	(6)	(19)
Income taxes paid	(16,420)	(14,397)	(5,002)	(5,126)
Income tax refunded	8,621	16,585	4,150	2,699
Real property gain tax paid	(139)	-	-	-
<b>Net cash flows from operating activities</b>	<b>15,198</b>	<b>38,067</b>	<b>17,522</b>	<b>15,574</b>
<b>Investing activities</b>				
Additional placement of fixed deposits	(1)	(61)	(2)	(2)
Deposits paid for acquisition of property and machinery	-	(1,000)	-	-
Dividend received	-	-	70,082	313
Purchase of property, plant and equipment	(17,227)	(14,583)	(109)	(1,256)
Proceeds from disposal of plant and equipment	98	47	-	55
Additions to biological assets	(865)	(752)	(263)	(174)
Advances to subsidiary companies	-	-	(77,320)	(14,031)
Deposit received for share disposal	600	-	-	-
Uplift of fixed deposits	311	-	-	-
<b>Net cash flows used in investing activities</b>	<b>(17,084)</b>	<b>(16,349)</b>	<b>(7,612)</b>	<b>(15,095)</b>

# Statements Of Cash Flows

For the financial year ended 31 December 2015

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Financing activities</b>					
Drawdown of bankers' acceptance		304,405	200,166	-	-
Drawdown of revolving credits		7,000	37,000	-	-
Repayment of obligations under finance leases		(1,418)	(1,519)	(142)	(200)
Repayment of revolving credits		(12,000)	(22,000)	-	-
Repayment of term loans		(10,981)	(10,776)	-	-
Repayment of bankers' acceptance		(247,300)	(224,023)	-	-
Dividends paid to non-controlling interest		(79)	(301)	-	-
Dividend paid on ICPS		(1,800)	(2,263)	(1,800)	(2,263)
<hr/>					
<b>Net cash flows from/(used in) financing activities</b>		37,827	(23,716)	(1,942)	(2,463)
<hr/>					
<b>Net increase/(decrease) in cash and cash equivalents</b>		35,941	(1,998)	7,968	(1,984)
<b>Cash and cash equivalents at 1 January</b>		58,677	60,675	20,434	22,418
<hr/>					
<b>Cash and cash equivalents at 31 December</b>	26	94,618	58,677	28,402	20,434
<hr/>					

\* 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 2016

## 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 and other information relating to the subsidiaries are stated in Note 20 to the financial statements.

## 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 2016 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 2016, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2016:

Description	Effective for annual periods beginning on or after
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

## 2. Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies (continued)

On 1 January 2016, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2016: (continued)

Description	Effective for annual periods beginning on or after
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

#### (a) 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 forms part of the business) 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.

The amendments do not have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

#### (b) 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 do not have any impact on the Group's financial statements as there were no interest acquired in a joint operation during the year.

## 2. Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies (continued)

#### (c) 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 do not have any impact on the Company's financial statements.

#### (d) 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 amendments do not have a material impact on the Group's and the Company's financial statements.

#### (e) 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 do not have any impact on the Group's and the Company's financial statements.

## 2. Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies (continued)

#### (f) 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. These amendments do not have a significant impact on the Group's and the Company's financial statements.

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

The amendment to FRS 5 clarifies that changing from one 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 FRSs.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is applied prospectively.

##### **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. This amendment is applied retrospectively.

##### **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. This amendment is applied prospectively.

##### **FRS 134: Interim Financial Reporting**

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. This amendment is applied retrospectively.

## 2. Summary of significant accounting policies (continued)

### 2.3 (i) Standard 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 annual periods beginning on or after
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to FRS Standards 2014-2016 Cycle:	
➤ Amendments to FRS 12: Disclosure of Interests in Other Entities	1 January 2017
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

#### (a) Amendments to FRS 107: Disclosures Initiatives

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

#### (b) Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group and on the Company.

## 2. Summary of significant accounting policies (continued)

### 2.3 (ii) 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 28 October 2015, all Transitioning Entities shall adopt the MFRS Framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2018.

The Group and the Company falls 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 2018. In presenting its 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 2016 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 2018.

## **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. The criteria used to determine whether an entity is a subsidiary are disclosed in Note 2.14.

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.

### **2.5 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.

## 2. Summary of significant accounting policies (continued)

### 2.5 Business combinations and goodwill (continued)

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 FRS139, 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 at 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 its statement of financial position based on current/non-current classification. An asset is current when it is:

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

## 2. Summary of significant accounting policies (continued)

### 2.7 Current versus non-current classification (continued)

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

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

The Group classifies all other liabilities as non-current.

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

### 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 36.

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 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.

## 2. Summary of significant accounting policies (continued)

### 2.8 Fair value measurement (continued)

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.

### 2.9 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 at 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.

## 2. Summary of significant accounting policies (continued)

### 2.9 Property, plant and equipment (continued)

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	0.17% - 1.6%
- 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.

Plantation development expenditure on short leasehold land are amortised over 25 years.

(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 of disposal 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 of disposal, 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, which evidence its ability to control such entity:

- (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.

## **2. Summary of significant accounting policies (continued)**

### **2.15 Investment in associates and joint ventures (continued)**

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.

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. Summary of significant accounting policies (continued)

### 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 into 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)

##### Subsequent measurement (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 24.

## 2. Summary of significant accounting policies (continued)

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

#### a) Financial assets (continued)

##### Subsequent measurement (continued)

##### 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 2016 and 2015.

##### 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.

## 2. Summary of significant accounting policies (continued)

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

#### a) Financial assets (continued)

##### Subsequent measurement (continued)

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

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 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

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.

## 2. Summary of significant accounting policies (continued)

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

#### 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.

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.

## 2. Summary of significant accounting policies (continued)

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

#### b) Impairment of financial assets (continued)

##### **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.

## 2. Summary of significant accounting policies (continued)

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

#### c) Financial liabilities (continued)

##### Subsequent measurement (continued)

##### 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 27.

##### 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.

## 2. Summary of significant accounting policies (continued)

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

#### 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.

### 2.18 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 fertilizer 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. Summary of significant accounting policies (continued)**

### **2.19 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and 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.

### **2.21 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. Summary of significant accounting policies (continued)

### 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

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.

## 2. Summary of significant accounting policies (continued)

### 2.22 Taxes (continued)

#### b) Deferred tax (continued)

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.

#### (c) Goods and Services Tax ("GST")

Revenue, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred in the purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as the case may be.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the financial statements.

## 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 2.16. 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.

## **2. Summary of significant accounting policies (continued)**

### **2.24 Leases (continued)**

#### **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 2.25(b).

### **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 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

## **2. Summary of significant accounting policies (continued)**

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

### **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.

### **2.29 Non-current assets held for distribution to equity holders of the parent and discontinued operations**

The Group classifies non-current assets and disposal groups as held for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the decision to distribute will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification.

## 2. Summary of significant accounting policies (continued)

### 2.29 Non-current assets held for distribution to equity holders of the parent and discontinued operations(continued)

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for distribution.

Assets and liabilities classified as held for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 13. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

## 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.

There are no critical judgements made by management in the process of applying the Group's accounting policies that may have significant effect on the amounts recognised in the financial statements.

### 3. Significant accounting judgements and estimates (continued)

#### 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 and assumptions about future developments, however, may change or 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 15.

#### 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 of disposal and its value in use. The fair value less costs of disposal 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 19.

#### c) Impairment assessment of non-financial assets

The Group and the Company assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amount may not be recoverable.

During the current financial year, the Group has recognised an impairment loss in respect of property, plant and equipment of the Group relating to the refinery business. The Group carried out the impairment test based on an estimation of value in use of the cash generating units ("CGU") to which property, plant and equipment are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment of the Group and of the Company as at 31 December 2016 were RM504 million (2015: RM521 million) and RM35 million (2015: RM38 million) respectively. Further details of the impairment losses for property, plant and equipment are disclosed in Note 15(iii).

### 3. Significant accounting judgements and estimates (continued)

#### d) 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 in respect of tax losses and unabsorbed capital allowances of the Group at 31 December 2016 was RM17,440,000 (2015: RM18,132,000). The recognised tax losses and unabsorbed capital allowances of the Group was RM72,667,000 (2015: RM75,548,000). The unrecognised tax assets of the Group are disclosed in Note 22 to the financial statements.

#### 4. Revenue

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sales of produce from				
- plantation and mill	117,902	124,079	48,203	46,859
- refinery	260,506	283,988	-	-
Gross dividend income received	-	-	70,082	313
Rental income from investment property	92	92	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	378,500	408,159	118,285	47,172
	<hr/>	<hr/>	<hr/>	<hr/>

#### 5. Cost of sales

Cost of sales:				
- plantation and mill	23,967	55,442	24,411	29,718
- refinery	260,876	290,211	-	-
Cost of services rendered	12	14	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	284,855	345,667	24,411	29,718
	<hr/>	<hr/>	<hr/>	<hr/>

#### 6. Interest income

Interest income from:				
Short-term deposits	1,071	932	585	570
	<hr/>	<hr/>	<hr/>	<hr/>

**7. Other income**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Recovery of bad debts assigned by a former subsidiary#	-	4,200	-	4,200
Net gain on disposal of plant and equipment	98	45	-	10
Rental income	107	98	192	186
Net reversal of impairment loss on - amounts due from subsidiaries (Note 24(b))	-	-	-	3,490
Sales of scrap iron	59	96	-	-
Sales of sludge oil	1,387	811	-	-
Sales of empty fruit bunches, palm fiber and shell	540	1,054	-	-
Sales of crude glycerine	1,429	-	-	-
Miscellaneous	337	268	7	15
Gain on foreign exchange	-	4	-	-
Equipment hire income	-	14	-	-
	<b>3,957</b>	<b>6,590</b>	<b>199</b>	<b>7,901</b>

# These related to monies received in connection with rights to recover bad debts and caveats over properties of certain debtors that were assigned to the Company by a former subsidiary prior to the disposal of that subsidiary.

**8. Finance costs**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on:				
Advances	38	-	-	-
Bankers' acceptances	2,500	2,156	-	-
Revolving credits	655	491	-	-
Bank overdraft	5	1	-	-
ICPS	143	314	143	314
Obligations under finance leases	91	160	6	19
Term loan	1,929	2,422	-	-
	<b>5,361</b>	<b>5,544</b>	<b>149</b>	<b>333</b>

## 9. Profit before tax

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Auditors' remuneration:				
- statutory audits				
- current year	248	223	60	60
- underprovision in prior year	25	17	-	3
- other services	72	74	12	13
Employee benefits expense (Note 10)	51,298	50,292	9,276	10,671
Non-executive directors' remuneration (Note 11)	114	114	114	114
Depreciation of property, plant and equipment (Note 15)	34,286	34,894	3,617	3,908
Depreciation of investment properties (Note 16)	5	5	-	-
Amortisation of biological assets (Note 17)	473	479	71	71
Impairment loss on biological assets (Note 17)	283	338	143	48
Impairment loss on property, plant and Equipment (Note 15)	2,456	-	-	-
Amortisation of land use rights (Note 18)	63	63	-	-
Plant and equipment scrapped	159	123	*	*
Bad debts written off	3	31	3	8
Net fair value loss on derivatives				
- Commodity futures contracts				
- Crude palm oil	917	2,530	-	-
- RBD palm olein	958	1,364	-	-
- Foreign currency forward contracts	2,324	6,315	-	-
Gain on foreign exchange				
- realised	(1,835)	(1,450)	-	*
- unrealised	*	80	-	-
Net impairment loss on investment in subsidiaries	-	-	-	120
Rental of premises	1,785	2,126	120	120
Sublease rental	40	20	-	-
Oil palm replanting expenses	4,376	6,374	-	-
Impairment loss on amount due from - subsidiaries (Note 24(b))	-	-	23	2,382

\* Below RM1,000

**10. Employee benefits expense**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages and salaries	48,293	47,744	8,840	10,268
Social security contributions	274	256	37	36
Contributions to defined contribution plan	2,731	2,292	399	367
	51,298	50,292	9,276	10,671

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM4,237,749 (2015: RM3,557,140) and RM40,000 (2015: RM40,000) respectively as further disclosed in Note 11.

**11. Directors' remuneration**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Executive:</b>				
Salaries and other emoluments	2,713	2,646	-	-
Fees	40	40	40	40
Bonus	1,035	494	-	-
Defined contribution plan	450	377	-	-
Total executive directors' remuneration (excluding benefits-in-kind)	4,238	3,557	40	40
Estimated monetary value of benefits-in-kind	168	171	-	-
Total executive directors' remuneration (including benefits-in-kind)	4,406	3,728	40	40
<b>Non-executive:</b>				
Fees	30	30	30	30
Other emoluments	84	84	84	84
Total non-executive directors' remuneration	114	114	114	114
Total directors' remuneration	4,520	3,842	154	154

## 11. Directors' remuneration (continued)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Executive:</b>				
Salaries and other emoluments	2,566	2,646	-	-
Fees	40	40	40	40
Bonus	880	494	-	-
Defined contribution plan	414	377	-	-
<hr/>				
Total executive directors' remuneration (excluding benefits-in-kind)	3,900	3,557	40	40
Estimated monetary value of benefits-in-kind	151	171	-	-
<hr/>				
Total executive directors' remuneration (including benefits-in-kind)	4,051	3,728	40	40
<hr/>				
<b>Non-executive:</b>				
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	4,165	3,842	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	
	2016	2015
<b>Executive Directors:</b>		
RM350,001–RM400,000	1	-
RM500,001 - RM550,000	-	1
RM550,001 - RM600,000	1	1
RM700,001 - RM750,000	-	1
RM850,001 - RM900,000	1	1
RM1,850,001- RM1,900,000	-	1
RM2,200,001 - RM2,250,000	1	-
 <b>Non-Executive Directors:</b>		
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 2016 and 2015 are:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Statements of profit or loss:</b>				
Current income tax:				
- On results for the year	14,564	4,349	4,660	900
- Amount payable to a wholly-owned subsidiary in respect of tax saved by group relief	-	-	-	2,000
- (Over)/underprovision in respect of previous years	(50)	63	*	7
	14,514	4,412	4,660	2,907
Deferred income tax(Note 22):				
- Origination and reversal of temporary differences	(1,850)	1,137	140	237
- (Over)/underprovision in respect of previous years	(10)	301	2	22
- Effects of reduction in tax rate	(10)	154	*	13
	(1,870)	1,592	142	272
Income tax expense recognised in profit or loss	12,644	6,004	4,802	3,179

\* Below RM1,000

## 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 2016 and 2015 are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	32,699	1,082	86,487	14,781
Tax at statutory tax rate of 24% (2015: 25%)	7,848	270	20,757	3,695
Adjustments:				
Non-deductible expenses	2,178	1,995	863	1,442
Income not subject to taxation	(11)	(1,050)	(16,820)	(2,000)
Effects on reduction in tax rate	(10)	154	*	13
Benefits from previously unrecognised tax losses and capital allowances	(23)	(44)	-	-
Deferred tax assets not recognised	2,722	4,315	-	-
(Over)/underprovision in previous years				
- income tax	(50)	63	*	7
- deferred tax	(10)	301	2	22
Income tax expense recognised in profit or loss	12,644	6,004	4,802	3,179

Current income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Tax savings during the financial year arising from:				
Utilisation of previous years' unabsorbed capital allowances	2,264	3,131	-	-
Utilisation of group relief	-	-	-	2,000
Unutilised tax losses carried forward	158,482	158,482	-	-
Unabsorbed agriculture and capital allowances carried forward	116,576	108,055	-	-
Unabsorbed incentive allowance carried forward	16,512	16,512	-	-

### 13. Assets/liabilities of disposal group classified as held for sale

On 29 December 2015, KHB Realty Sdn. Bhd., a wholly-owned subsidiary of the Group entered into a Sale and Purchase of Shares Agreement (“SPSA”) to dispose of the entire equity interest in its wholly-owned subsidiary, Sri Timbul Sdn. Bhd. for a total cash consideration of RM6,000,000.

As at 31 December 2016, assets and liabilities relating to STSB has been presented in the statement of financial position as “Assets of disposal group classified as held for sale” and “Liabilities directly associated with disposal group classified as held for sale”.

#### Statement of financial position disclosures

The major classes of assets and liabilities of STSB classified as held for sale as at 31 December 2016 are as follows:

	2016 RM'000	Group	2015 RM'000
<b>Assets:</b>			
Property, Plant and equipment	2,929		2,929
Trade and other receivables	-		30
<hr/>			
Assets of disposal group classified as held for sale	2,929		2,959
<hr/>			
<b>Liabilities:</b>			
Trade and other liabilities	1		1
<hr/>			
Liabilities directly associated with disposal group classified as held for sale	(1)		(1)
<hr/>			
Net assets directly associated with disposal group classified as held for sale	2,928		2,958
<hr/>			
Reserves directly associated with disposal group classified as held for sale	(310)		(308)
<hr/>			

#### 14. Earnings/(loss) per share (“EPS”)

Basic EPS is calculated by dividing profit/(loss) 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/(loss) 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:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM’000</b>	<b>RM’000</b>
Profit/(loss) net of tax attributable to owners of the Company used in the computation of basic EPS	20,159	(4,825)
Interest expense on ICPS (Note 8)	143	314
<hr/>		
Profit/(loss) net of tax attributable to owners of the Company used in the computation of diluted EPS	20,302	(4,511)
<hr/>		

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>Number of shares</b>	<b>Number of shares</b>
	<b>’000</b>	<b>’000</b>
Weighted average number of ordinary shares for basic EPS computation	1,943,440	1,875,018
Effects of dilution:		
- ICPS	384,187	452,609
<hr/>		
Weighted average number of ordinary shares for diluted EPS computation	2,327,627	2,327,627
<hr/>		

15. 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
<b>Deemed cost</b>								
<b>At 1 January 2015</b>	223,777	48,857	185,059	41,065	240,520	7,858	13,740	760,876
Additions	-	259	635	1,519	3,024	611	8,535	14,583
Disposals	-	-	-	(236)	(125)	-	-	(361)
Scrapped	-	-	(396)	(12)	(722)	(49)	-	(1,179)
Transferred from capital work-in-progress	-	-	7,940	-	2,482	41	(10,463)	-
Reclassifications	-	354	(15,046)	(15,904)	30,596	-	-	-
Transfer to disposal group held for sale	(3,200)	-	-	-	-	-	-	(3,200)
<b>At 31 December 2015 and 1 January 2016</b>	220,577	49,470	178,192	26,432	275,775	8,461	11,812	770,719
Additions	-	379	687	369	1,757	760	16,069	20,021
Disposals	-	-	-	(380)	-	(12)	-	(392)
Scrapped	-	-	(510)	-	(371)	(52)	-	(933)
Transferred from capital work-in-progress	-	-	2,910	-	4,272	21	(7,203)	-
<b>At 31 December 2016</b>	220,577	49,849	181,279	26,421	281,433	9,178	20,678	789,415

15. 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
<b>Group (continued)</b>								
<b>Accumulated depreciation and impairment loss</b>								
<b>At 1 January 2015</b>	17,228	6,054	77,225	29,633	81,002	5,045	-	216,187
Depreciation charge for the year	2,694	2,275	10,187	3,067	15,940	731	-	34,894
Disposals	-	-	-	(234)	(125)	-	-	(359)
Scrapped	-	-	(396)	(12)	(601)	(47)	-	(1,056)
Reclassifications	-	-	(15,690)	(8,497)	24,187	-	-	-
Transfer to disposal group held for sale	(270)	-	-	-	-	-	-	(270)
<b>At 31 December 2015 and 1 January 2016</b>	19,652	8,329	71,326	23,957	120,403	5,729	-	249,396
Depreciation charge for the year	2,649	2,286	10,444	2,146	16,038	723	-	34,286
Impairment loss	-	-	-	-	2,456	-	-	2,456
Disposals	-	-	-	(380)	-	(12)	-	(392)
Scrapped	-	-	(443)	-	(281)	(50)	-	(774)
<b>At 31 December 2016</b>	22,301	10,615	81,327	25,723	138,616	6,390	-	284,972
<b>Net carrying amount</b>								
<b>At 31 December 2015</b>	200,925	41,141	106,866	2,475	155,372	2,732	11,812	521,323
<b>At 31 December 2016</b>	198,276	39,234	99,952	698	142,817	2,788	20,678	504,443

15. 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
<b>Cost</b>								
<b>At 1 January 2015</b>	19,560	17,931	13,677	4,001	9,784	864	549	66,366
Additions	-	234	-	324	367	13	318	1,256
Scrapped	-	-	-	-	-	(17)	-	(17)
Disposal	-	-	-	(151)	(110)	-	-	(261)
<b>At 31 December 2015 and 1 January 2016</b>	19,560	18,165	13,677	4,174	10,041	860	867	67,344
Additions	-	-	-	-	50	16	43	109
Scrapped	-	-	-	-	-	(5)	-	(5)
<b>At 31 December 2016</b>	19,560	18,165	13,677	4,174	10,091	871	910	67,448
<b>Accumulated depreciation</b>								
<b>At 1 January 2015</b>	3,358	4,225	6,866	3,187	7,232	662	-	25,530
Depreciation charge for the year	198	1,509	1,097	324	707	73	-	3,908
Scrapped	-	-	-	-	-	(17)	-	(17)
Disposal	-	-	-	(151)	(65)	-	-	(216)
<b>At 31 December 2015 and 1 January 2016</b>	3,556	5,734	7,963	3,360	7,874	718	-	29,205
Depreciation charge for the year	198	1,515	1,018	262	584	40	-	3,617
Scrapped	-	-	-	-	-	(5)	-	(5)
<b>At 31 December 2016</b>	3,754	7,249	8,981	3,622	8,458	753	-	32,817
<b>Net carrying amount</b>								
<b>At 31 December 2015</b>	16,004	12,431	5,714	814	2,167	142	867	38,139
<b>At 31 December 2016</b>	15,806	10,916	4,696	552	1,633	118	910	34,631

## 15. Property, plant and equipment (continued)

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs as follows:.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment acquired under finance lease	1,054	-	-	-
Deposit for machinery paid in prior years (non-current assets)	1,740	-	-	-
Net cash flow on acquisition of property, plant and equipment	17,227	14,583	109	1,256
	20,021	14,583	109	1,256

### (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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Plant and machinery	106	670	28	112
Motor vehicles	356	1,063	-	45
Construction in progress	1,646	-	-	-
	2,108	1,733	28	157

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 34(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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Long term leasehold land	60,219	61,083	15,807	16,004
Plantation infrastructure	11,452	13,060	10,915	12,431
Buildings, plant and machinery	68,376	73,446	-	-
	140,047	147,589	26,722	28,435

## 15. Property, plant and equipment (continued)

### (iii) Impairment loss for property, plant and equipment

During the year ended 31 December 2016, due to continued losses and low utilisation rate, an impairment loss of RM2,456,000 was made to write down the carrying amount of property, plant and equipment relating to the refinery business to the recoverable amount. This impairment loss was recognised in the statement of profit or loss as other expense. The recoverable amount of RM122,239,000 as at 31 December 2016 was based on value in use of the CGU relating to the refinery business. In determining the value in use for the CGU, the net cash inflows generated by the CGU were discounted at a pre-tax rate of 13.45%.

## 16. Investment properties

	Group	
	2016 RM'000	2015 RM'000
<b>Cost</b>		
At 1 January and 31 December	750	750
<hr/>		
<b>Accumulated depreciation</b>		
At 1 January	114	109
Depreciation for the year	5	5
At 31 December	119	114
<hr/>		
<b>Net carrying amount</b>		
At 31 December	631	636
<hr/>		
<b>Fair value</b>	2,000	1,500
<hr/>		

Fair value measurement hierarchy for investment properties are provided in Note 35. 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	
	2016 RM'000	2015 RM'000
Rental income	92	92
Direct operating expenses – income generating properties	(12)	(14)
<hr/>		

17. **Biological assets**

	<b>Plantation development expenditure RM'000</b>	<b>Cattle breeder RM'000</b>	<b>Total RM'000</b>
<b>Group</b>			
<b>Deemed cost</b>			
At 1 January 2015	394,925	7,158	402,083
Additions	-	752	752
At 31 December 2015 and 1 January 2016	394,925	7,910	402,835
Additions	-	865	865
At 31 December 2016	394,925	8,775	403,700
<b>Accumulated amortisation and impairment loss</b>			
At 1 January 2015	514	1,435	1,949
Amortisation charge for the year	67	412	479
Impairment loss	-	338	338
At 31 December 2015 and 1 January 2016	581	2,185	2,766
Amortisation charge for the year	67	406	473
Impairment loss	-	283	283
At 31 December 2016	648	2,874	3,522
<b>Net carrying amount</b>			
At 31 December 2015	394,344	5,725	400,069
At 31 December 2016	394,277	5,901	400,178

17. **Biological assets (continued)**

<b>Company</b>	<b>Plantation development expenditure RM'000</b>	<b>Cattle breeder RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January 2015	24,375	2,031	26,406
Additions	-	174	174
At 31 December 2015 and 1 January 2016	24,375	2,205	26,580
Additions	-	263	263
At 31 December 2016	24,375	2,468	26,843
<b>Accumulated amortisation and impairment loss</b>			
At 1 January 2015	-	864	864
Amortisation charge for the year	-	71	71
Impairment loss	-	48	48
At 31 December 2015	-	983	983
Amortisation charge for the year	-	71	71
Impairment loss	-	143	143
At 31 December 2016	-	1,197	1,197
<b>Net carrying amount</b>			
At 31 December 2015	24,375	1,222	25,597
At 31 December 2016	24,375	1,271	25,646

The net carrying amounts of plantation development expenditure of the Group and of the Company pledged as securities for borrowings (Note 27) are RM133,882,460 (2015: RM133,882,460) and RM24,375,091 (2015: RM24,375,091) respectively.

**18. Land use rights**

	Group	
	2016 RM'000	2015 RM'000
<b>Cost:</b>		
At 1 January and 31 December	1,474	1,474
<hr/>		
<b>Accumulated amortisation:</b>		
At 1 January	497	434
Amortisation charge for the year	63	63
At 31 December	560	497
<hr/>		
<b>Net carrying amount</b>		
At 31 December	914	977
<hr/>		
Amount to be amortised:		
- Not later than one year	63	63
- Later than one year but not later than five years	252	252
- Later than five years	599	662
	914	977
<hr/>		

**19. Intangible assets****Goodwill**

At 1 January and 31 December	42,777	42,777
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The carrying amount of goodwill on business acquisition is related to the acquisition of plantation business in prior years. The Group performed its annual impairment test in December 2016 and 2015. The recoverable amount of the cash-generating units ("CGUs") to which the goodwill are allocated amounted to RM1.9 billion as at 31 December 2016 and is determined based on fair value less costs of disposal ("FVLCD") using the market approach. No value in use is calculated as the FVLCD is greater than the CGUs' carrying amount. The fair value measurement is categorized as a Level 3 fair value based on inputs in the valuation techniques used.

## 19. 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	RM117,981
Incidental costs of disposal	RM75 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.

## 20. Investments in subsidiaries

	Company	
	2016 RM'000	2015 RM'000
<b>Unquoted shares</b>		
<b>Cost</b>		
At 1 January and 31 December	588,613	588,613
<b>Accumulated impairment losses</b>		
At 1 January	43,750	43,630
Allowance for impairment losses	-	120
At 31 December	43,750	43,750
<b>Net carrying amount</b>		
At 31 December	544,863	544,863

## 20. 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 (%) of ownership interest held by non-controlling interest	
		2016	2015	2016	2015
<b>Held by the Company</b>					
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	-	-

## 20. 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 (%) of ownership interest held by non-controlling interest	
		2016	2015	2016	2015
<b>Held by the Company (continued)</b>					
KHB Nanyang (Malaysia) Sdn. Bhd.	Investment holding	100	100	-	-
Kretam Renewable Resources Sdn. Bhd.	Dormant	100	100	-	-
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

20. 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 (%) of ownership interest held by non-controlling interest	
		2016	2015	2016	2015
<b>Subsidiary of KHB Nanyang (Malaysia) Sdn. Bhd.</b>					
Rising Resources Sdn. Bhd.	Dormant	91.7	91.7	8.3	8.3
<b>Subsidiary of KHB Development Sdn. Bhd.</b>					
Jeffa Construction Sdn. Bhd.	Dormant	51	51	49	49
<b>Subsidiaries of Innosabah Capital Holdings Sdn. Bhd.</b>					
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	-	-
<b>Subsidiary of Jeffa Construction Sdn. Bhd.</b>					
Pandan Place Development Sdn. Bhd.	Dormant	51	51	49	49

**20. 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 (%) of ownership interest held by non-controlling interest	
		2016	2015	2016	2015
<b>Subsidiary of KHB Realty Sdn. Bhd.</b>					
Sri Timbul Sdn. Bhd.	Property holding	100	100	-	-
<b>Subsidiary of Syarikat Capakaya Sdn. Bhd.</b>					
Pupuk Borneo Sdn. Bhd.	Granulating, blending and distribution of fertilizer	100	100	-	-
<b>Subsidiaries of Abedon Sdn. Bhd.</b>					
Abedon Oil Mill Sdn. Bhd.	Milling and sale of oil palm products	100	100	-	-
Bumiwealth Sdn. Bhd.	Dormant	100	100	-	-
Tioman Baru Sdn. Bhd.	Dormant	100	100	-	-
Abedon Enviro Sdn. Bhd.	Manufacture of bio-organic fertilizers	70	70	30	30

# Not commenced operation yet

## 20. Investments in subsidiaries (continued)

### 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 these subsidiaries based on amounts before inter-company eliminations is provided below.

	Abedon Enviro Sdn. Bhd.		Winpalm Development Sdn. Bhd.	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(i) Summarised statements of financial position:				
Non-current assets	10,789	11,290	1,205	1,242
Current assets	118	245	454	374
<b>Total assets</b>	<b>10,907</b>	<b>11,535</b>	<b>1,659</b>	<b>1,616</b>
Current liabilities	(8,811)	(7,834)	(51)	(19)
Non-current liabilities	(4,688)	(5,625)	(179)	(184)
<b>Total liabilities</b>	<b>(13,499)</b>	<b>(13,459)</b>	<b>(230)</b>	<b>(203)</b>
<b>Total equity</b>	<b>(2,592)</b>	<b>(1,924)</b>	<b>1,429</b>	<b>1,413</b>
Attributable to:				
Equity holders of the Company	(1,814)	(1,341)	729	721
Non-controlling interests	(778)	(583)	700	692
(ii) Summarised statements of profit or loss and other comprehensive income:				
Revenue	1,576	1,546	847	1,022
(Loss)/profit for the year	(669)	(823)	176	324
<b>Total comprehensive (loss)/profit</b>	<b>(669)</b>	<b>(823)</b>	<b>176</b>	<b>324</b>
Attributable to non-controlling interests	(201)	(247)	86	159
(iii) Summarised cash flows information:				
Operating	1,262	1,009	298	270
Investing	(430)	(38)	-	-
Financing	(937)	(937)	(160)	(614)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(105)</b>	<b>34</b>	<b>138</b>	<b>(344)</b>

## 21. Investment in associate

	Group	
	2016 RM'000	2015 RM'000
Unquoted shares in Malaysia, at cost	-	2,450
Share of post-acquisition reserves	-	(2,450)
	-	-

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

Name	Principal activity	Proportion (%) of ownership interest	
		2016	2015
<b>Held through subsidiary (KHB Properties Sdn. Bhd.):</b>			
Pantai Dalam Development Sdn. Bhd.	Dormant	-	49

The Group has not recognised losses relating to Pantai Dalam Development Sdn. Bhd. ("PDDSB") since its share of losses exceeded the Group's interest in this associate. The Group's cumulative share of unrecognised share of losses as at 31 December 2015 was RM2,147,342. The Group has no obligation in respect of these losses.

On 30 June 2015, PDDSB had commenced voluntary winding-up by way of members' voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965.

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

	Group	
	2016 RM'000	2015 RM'000
<b>Assets and liabilities:</b>		
Total assets	-	*
Total liabilities	-	(4,382)
<b>Results:</b>		
Revenue	-	-
Loss for the year	-	(2)

\* Below RM1,000

## 22. Deferred tax

Deferred income tax as at 31 December relates to the following:

	As at 1 January 2015 RM'000	Recognised in profit or loss RM'000	As at 31 December 2015 RM'000	Recognised in profit or loss RM'000	As at 31 December 2016 RM'000
<b>Group</b>					
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	114,181	(206)	113,975	(3,067)	110,908
<b>Deferred tax assets:</b>					
Unabsorbed capital and agriculture allowances	(17,663)	1,208	(16,455)	691	(15,764)
Unutilised tax losses	(1,759)	82	(1,677)	(1)	(1,676)
Irredeemable convertible preference shares	(1,013)	508	(505)	505	-
	(20,435)	1,798	(18,637)	1,197	(17,440)
	93,746	1,592	95,338	(1,870)	93,468
<b>Company</b>					
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	10,190	(236)	9,954	(363)	9,591
<b>Deferred tax assets:</b>					
Irredeemable convertible preference shares	(1,013)	508	(505)	505	-
	9,177	272	9,449	142	9,591

## 22. Deferred tax (continued)

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

	Group	
	2016 RM'000	2015 RM'000
Unutilised tax losses	151,498	151,596
Unabsorbed capital allowances	50,895	38,090
Unabsorbed incentive allowances	16,512	16,512
	218,905	206,198

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 companies 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.

## 23. Inventories

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>At cost:</b>				
Crude palm oil	32,535	21,634	-	-
Palm kernels	1,088	791	-	-
Refined palm oil	87,328	14,913	-	-
Fresh fruit bunches	9	-	-	-
Fertilizers and chemicals	4,045	2,237	1,572	255
Store, spares and consumable supplies	4,943	4,138	105	175
Oil palm seedlings and nurseries	912	990	-	-
Culverts	490	447	490	447
Raw materials for fertilizers	8,469	9,403	-	-
	139,819	54,553	2,167	877
<b>At net realisable value:</b>				
Refined palm oil	-	29,316	-	-
Crude glycerine	-	741	-	-
	-	30,057	-	-
	139,819	84,610	2,167	877

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and Company were RM207,126,311 (2015: RM276,708,690) and RM8,154,870 (2015: RM9,723,597) respectively.

## 24. Trade and other receivables

	Group			Company	
	2016	2015	31.12.2016	31.12.2015	1.1.2015
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Current</b>					
<b>Trade receivables</b>					
Subsidiary	-	-	10,755	14,971	12,856
Third parties	31,038	38,635	72	14	27
	31,038	38,635	10,827	14,985	12,883
Less: Allowance for impairment	(3,553)	(3,553)	-	-	-
Trade receivables, net	27,485	35,082	10,827	14,985	12,883
<b>Other receivables</b>					
Amounts due from related parties:					
Subsidiaries	-	-	31,861	39,313	248,122
Associate	-	3,686	-	3,679	3,676
	-	3,686	31,861	42,992	251,798
Deposits	1,358	1,198	146	41	42
Prepayments	2,953	3,203	92	126	108
Goods and services tax recoverable	6,189	2,109	-	-	-
Other receivables	8,527	8,313	3,030	3,030	3,110
	19,027	18,509	35,129	46,189	255,058
Less: Allowance for impairment					
- Associate	-	(3,684)	-	(3,676)	(3,676)
- Other receivables	(5,083)	(5,098)	(3,000)	(3,000)	(3,000)
	(5,083)	(8,782)	(3,000)	(6,676)	(6,676)
Other receivables, net	13,944	9,727	32,129	39,513	248,382
Total current	41,429	44,809	42,956	54,498	261,265

24. Trade and other receivables (continued)

	Group			Company	
	2016	2015	31.12.2016	31.12.2015	1.1.2015
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-current</b>					
<b>Other receivables</b>					
Amount due from subsidiaries	-	-	367,905	283,524	84,229
Deposits and prepayments	4,532	6,272	-	-	-
	4,532	6,272	367,905	283,524	84,229
Less: Allowance for impairment	-	-	(83,144)	(83,121)	(84,229)
Other receivables, net	4,532	6,272	284,761	200,403	-
Total non-current	4,532	6,272	284,761	200,403	-
Total trade and other receivables (current and non-current)	45,961	51,081	327,717	254,901	261,265
Add: Cash and bank balances (Note 26)	95,536	59,905	28,482	20,512	22,494
Less: Prepayments and non-refundable deposits	(7,485)	(9,475)	(92)	(126)	(108)
Total loans and receivables	134,012	101,511	356,107	275,287	283,651

In prior financial years, certain amounts due from subsidiaries of the Company were classified as current assets. As at reporting date, the directors have assessed and determined that they do not expect to realise these amounts due from subsidiaries within twelve months after the reporting period. Accordingly, these amounts have been reclassified as non-current assets.

The effects of this adjustment to the financial statements of the Company for the prior periods are as follows:

	As previously stated	Adjustments	As restated
	RM'000	RM'000	RM'000
<b>Company</b>			
<b>Statement of financial position</b>			
At 31 December 2015:			
Other receivables (non-current)	-	200,403	200,403
Other receivables (current)	254,901	(200,403)	54,498
At 1 January 2015:			
Other receivables (non-current)	-	-	-
Other receivables (current)	261,265	-	261,265

## 24. Trade and other receivables (continued)

### (a) Trade receivables

Trade receivables were non-interest bearing and 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Neither past due nor impaired	24,747	33,059	10,827	14,985
1 to 30 days past due not impaired	2,731	108	-	-
31 to 60 days past due not impaired	4	1,915	-	-
61 to 90 days past due not impaired	3	-	-	-
Impaired	2,738	2,023	-	-
	3,553	3,553	-	-
	31,038	38,635	10,827	14,985

#### 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 has trade receivables amounting to RM2,737,773 (2015: RM2,022,409) whereas the Company does 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables - nominal amounts	3,553	3,553	-	-
Less: Allowance for impairment	(3,553)	(3,553)	-	-
At 31 December	-	-	-	-

## 24. Trade and other receivables (continued)

### (a) Trade receivables (continued)

Movement in allowance accounts:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	3,553	3,638	-	-
Bad debts written off against provision	-	(85)	-	-
At 31 December	3,553	3,553	-	-

### (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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	3,684	3,684	86,797	87,905
Charge for the year (Note 9)	-	-	23	2,382
Net reversal of impairment loss	-	-	-	(3,490)
Write off against provision	(3,684)	-	(3,676)	-
At 31 December	-	3,684	83,144	86,797

### (c) Other receivables

At 1 January	5,098	5,098	3,000	3,000
Write off against provision	(15)	-	-	-
At 31 December	5,083	5,098	3,000	3,000

### (d) Deposits and prepayments (Non-current)

Included in deposit and prepayments is an amount of RM4,532,460 (2015: 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 2017.

25. Derivatives

Group	2016			2015		
	Contract/ Notional Amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Assets RM'000	Liabilities RM'000
	Foreign currency forward contracts	51,454	-	(140)	13,773	95
Commodity futures contracts						
- RBD Palm Olein	6,298	-	(1,585)	33,909	-	(1,508)
Total financial assets/(liabilities) at fair value through profit or loss		-	(1,725)		95	(1,508)

Foreign currency forward 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 February 2017 (Note 37(d)).

The commodity futures contracts are used to hedge price fluctuation of crude palm oil and RBD palm olein. Most of the commodity futures contracts have maturities of less than one year after the end of the reporting period. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 36.

26. Cash and bank balances

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash at banks and on hand	45,287	42,049	5,293	3,905
Deposits with licensed banks	50,249	17,856	23,189	16,607
Cash and bank balances	95,536	59,905	28,482	20,512
Deposits with licensed banks with maturity:				
- more than 3 months	(918)	(1,228)	(80)	(78)
Cash and cash equivalents	94,618	58,677	28,402	20,434

## 26. Cash and bank balances (continued)

The deposits earn interest at the respective banks' 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 2016 for the Group was 3.12% (2015: 3.43%).

Deposits with licensed banks of the Group and the Company amounting to RM102,659 (2015: RM378,369) and RM79,659 (2015: RM78,369) respectively are pledged as securities for trade financing facilities. The pledged deposits are not available for general use.

## 27. Loans and borrowings

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Current</b>				
Unsecured:				
Irredeemable convertible preference shares	-	2,104	-	2,104
Secured:				
Bankers' acceptance	105,163	48,058	-	-
Revolving credit	10,000	15,000	-	-
Obligations under finance leases (Note 34(b))	717	1,348	39	142
Bank loan 1 - RM loan at COF + 1.0% p.a.	937	937	-	-
Bank loan 2 - RM loan at COF + 1.0% p.a.	10,118	10,162	-	-
	126,935	75,505	39	142
	126,935	77,609	39	2,246
<b>Non-current</b>				
Secured:				
Obligations under finance leases (Note 34(b))	803	536	-	39
Bank loan 1 - RM loan at COF + 1.0% p.a.	4,688	5,625	-	-
Bank loan 2 - RM loan at COF + 1.0% p.a.	20,000	30,000	-	-
	25,491	36,161	-	39
Total loans and borrowings	152,426	113,770	39	2,285

**27. Loans and borrowings (continued)**

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

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
On demand or within one year	126,935	77,609	39	2,246
More than 1 year and less than 2 years	11,140	11,473	-	39
More than 2 years and less than 5 years	13,414	22,813	-	-
5 years or more	937	1,875	-	-
	<b>152,426</b>	<b>113,770</b>	<b>39</b>	<b>2,285</b>

**Irredeemable Convertible Preference Shares ("ICPS")**

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

	<b>Group and Company</b>			
	<b>Number of ICPS</b>		<b>Amount</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM0.20 each</b>			
	<b>'000</b>	<b>'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Nominal value - issued and fully paid</b>				
At 1 January	452,609	452,609	90,522	90,522
Conversion of ICPS to ordinary shares	(452,609)	-	(90,522)	-
At 31 December	-	452,609	-	90,522
<b>Share premium</b>				
At 1 January			117,678	117,678
Conversion of ICPS to ordinary shares			(117,678)	-
At 31 December			-	117,678

## 27. Loans and borrowings (continued)

### Irredeemable Convertible Preference Shares ("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:

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

## 27. Loans and borrowings (continued)

### Irredeemable Convertible Preference Shares ("ICPS") (continued)

	Group and Company	
	2016	2015
	RM'000	RM'000
Liability component on initial recognition	9,982	9,982
Conversion of ICPS to ordinary shares	(1,072)	(624)
	<hr/>	<hr/>
	8,910	9,358
	<hr/>	<hr/>
Interest expense recognised in profit or loss:		
At 1 January	2,272	1,958
Recognised during the year (Note 8)	144	314
	<hr/>	<hr/>
At 31 December	2,416	2,272
	<hr/>	<hr/>
Dividend paid:		
At 1 January	(9,526)	(7,263)
Paid during the year	(1,800)	(2,263)
	<hr/>	<hr/>
At 31 December	(11,326)	(9,526)
	<hr/>	<hr/>
Liability component at 31 December	-	2,104

### 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 6.38% p.a. (2015: 6.30% 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 4.22% (2015: 4.15%) per annum.

### Revolving credit

This is denominated in RM, bears interests at COF + 1.00% p.a. and is secured by legal charges over certain leasehold plantations of a subsidiary together with the corporate guarantee given by the Company.

## 27. Loans and borrowings (continued)

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 of 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 leasehold land of the Company together with the corporate guarantee given by the Company.

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

## 28. Trade and other payables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Current</b>				
<b>Trade payables</b>				
Subsidiary	-	-	2,418	814
Suppliers and third parties	19,191	12,808	734	371
	19,191	12,808	3,152	1,185
<b>Other payables</b>				
Amounts due to subsidiaries	-	-	13,235	19,446
Deposit	778	186	-	-
Accruals	8,929	5,398	735	426
Goods and services tax payable	1,120	1,561	330	185
Sundry payables	19,235	22,190	821	2,207
Retention sum payable to contractors	1,080	3,576	27	71
Dividend payable	23,276	-	23,276	-
	54,418	32,911	38,424	22,335
<b>Total current</b>	<b>73,609</b>	<b>45,719</b>	<b>41,576</b>	<b>23,520</b>
Total trade and other payables	73,609	45,719	41,576	23,520
Add: Loans and borrowings (Note 27)	152,426	113,770	39	2,285
<b>Total financial liabilities carried at amortised cost</b>	<b>226,035</b>	<b>159,489</b>	<b>41,615</b>	<b>25,805</b>

28. Trade and other payables (continued)

(a) Trade payables

Amounts payable to suppliers and third parties are normally settled on 30 to 90 days (2015: 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) Sundry payables

These amounts are non-interest bearing and are normally settled on an average term of three months (2015: average term of three months).

29. Share capital and share premium

Group and Company

	Number of ordinary shares of RM0.20 each '000	Amount		Total share capital and premium RM'000
		Share capital RM'000	Share premium RM'000	
<b>Issued and fully paid</b>				
At 1 January 2015 and 31 December 2015	1,875,018	375,003	169,593	544,596
At 1 January 2016	1,875,018	375,003	169,593	544,596
Conversion of ICPS to ordinary shares	452,609	90,522	111,349	201,871
At 31 December 2016	2,327,627	465,525	280,942	746,467

	Number of shares of RM0.20 each		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
<b>Authorised</b>				
Ordinary shares				
At 1 January and 31 December	2,500,000	2,500,000	500,000	500,000
Irredeemable convertible preference shares ("ICPS")				
At 1 January and 31 December	500,000	500,000	100,000	100,000

### 30. Other reserves

<b>Group</b>	<b>Revaluation reserve RM'000</b>	<b>Equity component of ICPS RM'000</b>	<b>Total RM'000</b>
At 1 January 2015 and 31 December 2015	35,362	201,423	236,785
At 1 January 2016	35,362	201,423	236,785
Conversion of ICPS to ordinary shares	-	(201,423)	(201,423)
At 31 December 2016	35,362	-	35,362
<b>Company</b>			
At 1 January 2015 and 31 December 2015	-	201,423	201,423
At 1 January 2016	-	201,423	201,423
Conversion of ICPS to ordinary shares	-	(201,423)	(201,423)
At 31 December 2016	-	-	-

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.

### 31. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2016 and 31 December 2015 under the single tier system.

32. Dividend

	Group and Company	
	2016	2015
	RM'000	RM'000
<b>Recognised during the financial year:</b>		
Dividend on ordinary shares:		
Interim single-tier dividend for 2016 of 1 sen (2015: Nil) per share	23,276	-

33. 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Transactions with companies of which Datuk Lim NyukSang @ Freddy Lim is also a director and has financial interest:</b>				
Malsa Corporation Sdn. Bhd.				
- Purchase of crude palm oil	16,892	13,586	-	-
- Purchase of empty fruit bunches	35	50	-	-
- Transportation charges	-	*	-	-
Sabah Softwood Hybrid Fertilizers Sdn. Bhd.				
- Purchase of fertilisers	-	1,727	-	-
- Sales of fertilisers	-	635	-	-

\* Below RM1,000

### 33. 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Transactions with companies in which a brother of Datuk Lim Nyuk Sang @ Freddy Lim is a director and has financial interest:</b>				
Priceworth Industries Sdn. Bhd.				
- Jetty rental	39	36	-	-
- Water supply	38	36	-	-
<hr/>				
<b>Transactions with a company of which Mr Wong Len Kee is director:</b>				
MPK Plantations Sdn. Bhd.				
- Purchase of fresh fruit bunches	117	109	-	-
<hr/>				
<b>Transactions with a company of which Mr Ho Sui Ting^ is director:</b>				
Winking Plantation Sdn. Bhd.				
- Sale of seedlings	40	3	-	-
<hr/>				

^ Director of subsidiary company

### 33. 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)

<b>Company</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
<b>Transactions with subsidiaries:</b>		
<b>Income</b>		
Sales of fresh fruit bunches		
- Syarikat Kretam Mill Sdn. Bhd.	46,635	45,057
Gross dividend received		
- Syarikat Kretam Plantations Sdn. Bhd.	60,000	-
- Winpalm Development Sdn. Bhd.	81	313
- Abedon Sdn. Bhd.	10,000	-
Land rental income		
- Syarikat Kretam Mill Sdn. Bhd.	180	180
Disposal of plant and machinery		
- Syarikat Kretam Plantation Sdn. Bhd.	-	45
Sales of culvert		
- Syarikat Kretam Mill Sdn. Bhd.	2	-
<hr/>		
<b>Expenses</b>		
Office rental		
- KHB Realty Sdn. Bhd.	120	120
Data processing fees		
- KHB Telecommunications Sdn. Bhd.	300	300
Purchase of fertilizers		
- Pupuk Borneo Sdn. Bhd.	7,101	6,593
<hr/>		

**33. Related party transactions (continued)**

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term employee benefits	9,273	7,805	941	758
Defined contribution plan	776	609	108	86
	<b>10,049</b>	<b>8,414</b>	<b>1,049</b>	<b>844</b>

**34. Commitments**

**(a) Capital commitments**

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Approved and contracted for:				
Road and other improvements	-	25	-	-
Building	2,609	1,450	-	-
Plant and machinery	4,911	7,451	-	-
Plantation infrastructure	146	146	146	146
	<b>7,666</b>	<b>9,072</b>	<b>146</b>	<b>146</b>

Approved but not contracted for:

Motor vehicles	7,320	5,505	200	-
Building	14,177	10,845	3,207	3,288
Plant and machinery	14,169	8,815	1,333	987
Furniture and equipment	785	493	65	32
Plantation infrastructure	7,141	5,342	2,443	2,443
	<b>43,592</b>	<b>31,000</b>	<b>7,248</b>	<b>6,750</b>

### 34. Commitments (continued)

#### (b) Finance lease commitments

The Group has finance leases for certain items of motor vehicles, heavy equipment, plant and machinery (Note 15). 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Minimum lease payments:</b>				
Not later than 1 year	778	1,419	40	148
Later than 1 year but not later than 2 years	243	545	-	40
Later than 2 years but not later than 5 years	647	-	-	-
<b>Total minimum lease payments</b>	<b>1,668</b>	<b>1,964</b>	<b>40</b>	<b>188</b>
Less: Amounts representing finance charges	(148)	(80)	(1)	(7)
<b>Present value of minimum lease payments</b>	<b>1,520</b>	<b>1,884</b>	<b>39</b>	<b>181</b>
<b>Present value of payments:</b>				
Not later than 1 year	717	1,348	39	142
Later than 1 year but not later than 2 years	202	536	-	39
Later than 2 years but not later than 5 years	601	-	-	-
<b>Present value of minimum lease payments</b>	<b>1,520</b>	<b>1,884</b>	<b>39</b>	<b>181</b>
Less: Amount due within 12 months (Note 27)	(717)	(1,348)	(39)	(142)
<b>Amount due after 12 months (Note 27)</b>	<b>803</b>	<b>536</b>	<b>-</b>	<b>39</b>

### 35. 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 2016:

	Date of valuation	Fair value measurement using			
		Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
<b>Assets for which fair values are disclosed:</b>					
Investment properties (Note 16)	7.3.2016	2,000	-	-	2,000

#### Liabilities measured at fairvalues:

Derivatives financial liabilities					
- Foreign currency forward					
- Contracts (Note 25)	31.12.2016	(140)	-	(140)	-
- Commodity futures contracts					
- RBD Palm Olein (Note 25)	31.12.2016	(1,585)	-	(1,585)	-
		(1,725)	-	(1,725)	-

#### Quantitative disclosures fair value measurement hierarchy for assets/(liabilities) as at 31 December 2015:

	Date of valuation	Fair value measurement using			
		Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
<b>Assets measured at fair values:</b>					
Derivatives financial assets					
- Foreign currency forward contracts (Note 25)					
	31.12.2015	95	-	95	-
<b>Assets for which fair values are disclosed:</b>					
Investment properties (Note 16)	21.12.2011	1,500	-	-	1,500

#### Liabilities measured at fairvalues:

Derivatives financial liabilities					
- Commodity futures contracts					
- RBD Palm Olein (Note 25)	31.12.2015	(1,508)	-	(1,508)	-

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

### 36. 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:

		Group		Company	
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>2016</b>					
<b>Financial liabilities:</b>					
Derivatives					
- Commodity futures contracts					
- RBD Palm Olein	25	(1,585)	(1,585)	-	-
- Foreign currency forward contracts	25	(140)	(140)	-	-
<hr/>					
<b>2015</b>					
<b>Financial assets:</b>					
Derivatives					
- Foreign currency forward contracts	25	95	95	-	-
<hr/>					
<b>Financial liabilities:</b>					
Derivatives					
- Commodity futures contracts					
- RBD Palm Olein	25	(1,508)	(1,508)	-	-
<hr/>					

### 36. 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.

### 37. 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 RM330,250,000 (2015: RM330,250,000) 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 24.

**37. 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 24. 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 24.

**(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 83% (2015: 68%) of the Group's and approximately 100% (2015: 98%) of the Company's loans and borrowings will mature in less than one year based on the carrying amount shown in Note 27 to the financial statements.

### 37. 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.

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<b>2016</b>				
<b>Financial assets</b>				
Trade and other receivables	38,476	-	-	38,476
Cash and bank balances	95,536	-	-	95,536
<b>Total undiscounted financial assets</b>	<b>134,012</b>	<b>-</b>	<b>-</b>	<b>134,012</b>
<b>Financial liabilities</b>				
Trade and other payables	73,609	-	-	73,609
Loan and borrowings	128,494	26,265	965	155,724
Derivatives	1,725	-	-	1,725
<b>Total undiscounted financial liabilities</b>	<b>203,828</b>	<b>26,265</b>	<b>965</b>	<b>231,058</b>
<b>Total net undiscounted financial liabilities</b>	<b>(69,816)</b>	<b>(26,265)</b>	<b>(965)</b>	<b>(97,046)</b>
<b>2015</b>				
<b>Financial assets</b>				
Trade and other receivables	41,606	-	-	41,606
Cash and bank balances	59,905	-	-	59,905
Derivatives	95	-	-	95
<b>Total undiscounted financial assets</b>	<b>101,606</b>	<b>-</b>	<b>-</b>	<b>101,606</b>
<b>Financial liabilities</b>				
Trade and other payables	45,719	-	-	45,719
Loan and borrowings	79,856	37,345	1,975	119,176
Derivatives	1,508	-	-	1,508
<b>Total undiscounted financial liabilities</b>	<b>127,083</b>	<b>37,345</b>	<b>1,975</b>	<b>166,403</b>
<b>Total net undiscounted financial liabilities</b>	<b>(25,477)</b>	<b>(37,345)</b>	<b>(1,975)</b>	<b>(64,797)</b>

### 37. 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.

Company	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<b>2016</b>				
<b>Financial assets</b>				
Trade and other receivables	42,864	284,761	-	327,625
Cash and bank balances	28,482	-	-	28,482
<b>Total undiscounted financial assets</b>	<b>71,346</b>	<b>284,761</b>	<b>-</b>	<b>356,107</b>
<b>Financial liabilities</b>				
Trade and other payables	41,576	-	-	41,576
Loan and borrowings	40	-	-	40
<b>Total undiscounted financial liabilities</b>	<b>41,616</b>	<b>-</b>	<b>-</b>	<b>41,616</b>
<b>Total net undiscounted financial assets/(liabilities)</b>	<b>29,730</b>	<b>284,761</b>	<b>-</b>	<b>314,491</b>
<b>Financial guarantee contracts</b>	<b>330,250</b>	<b>-</b>	<b>-</b>	<b>330,250</b>
<b>2015</b>				
<b>Financial assets</b>				
Trade and other receivables	54,372	200,403	-	254,775
Cash and bank balances	20,512	-	-	20,512
<b>Total undiscounted financial assets</b>	<b>74,884</b>	<b>200,403</b>	<b>-</b>	<b>275,287</b>
<b>Financial liabilities</b>				
Trade and other payables	23,520	-	-	23,520
Loan and borrowings	2,411	40	-	2,451
<b>Total undiscounted financial liabilities</b>	<b>25,931</b>	<b>40</b>	<b>-</b>	<b>25,971</b>
<b>Total net undiscounted financial assets/(liabilities)</b>	<b>48,953</b>	<b>200,363</b>	<b>-</b>	<b>249,316</b>
<b>Financial guarantee contracts</b>	<b>330,250</b>	<b>-</b>	<b>-</b>	<b>330,250</b>

### 37. 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 RM76,499 (2015: RM46,144) higher/lower and the Company's profit net of tax would have been RM17,623 (2015: RM262) 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 39% (2015: 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.

### 37. 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.

		<b>2016</b>	<b>Group</b>
		<b>RM'000</b>	<b>2015</b>
		<b>Profit</b>	<b>RM'000</b>
		<b>before tax</b>	<b>Profit</b>
<b>before tax</b>			
USD/RM	- strengthened 5% (2015: 5%)	(25)	(1,048)
	- weakened 5% (2015: 5%)	25	1,048

#### (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 2016 and 2015, it was the Group's policy that no hedging in financial instruments shall be undertaken.

The Group's policy is to minimise the risks of its revenue and 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 RM3,191,211 (2015: RM6,626,657) higher/lower.

### 38. 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 2016 and 31 December 2015.

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	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans and borrowings	27	152,426	113,770	39	2,285
Trade and other payables	28	73,609	45,719	41,576	23,520
Less: Cash and bank balances	26	(95,536)	(59,905)	(28,482)	(20,512)
ICPS	27	-	(2,104)	-	(2,104)
<i>Net debt</i>		130,499	97,480	13,133	3,189
ICPS		-	2,104	-	2,104
Equity attributable to owners of the Company		919,646	922,315	915,989	857,132
<i>Total capital</i>		919,646	924,419	915,989	859,236
<b>Capital and net debt</b>		1,050,145	1,021,899	929,122	862,425
<b>Gearing ratio</b>		12.4%	9.5%	1.4%	0.4%

### 39. 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.

39. Segment information (continued)

	Plantation and mill		Refinery		Adjustment and elimination		Note	Per consolidated financial statements	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000		2016 RM'000	2015 RM'000
<b>Revenue:</b>									
External customers	117,994	124,171	260,506	283,988	-	-		378,500	408,159
Inter-segment	136,734	119,590	-	-	(136,734)	(119,590)	A	-	-
<b>Total revenue</b>	<b>254,728</b>	<b>243,761</b>	<b>260,506</b>	<b>283,988</b>	<b>(136,734)</b>	<b>(119,590)</b>		<b>378,500</b>	<b>408,159</b>
<b>Results:</b>									
Interest income	233	171	256	240	582	521		1,071	932
Depreciation and amortisation	21,622	21,654	12,731	12,508	474	1,279		34,827	35,441
Impairment on:									
- biological assets	283	338	-	-	-	-		283	338
- plant and equipment	-	-	2,456	-	-	-		2,456	-
Segment profit/(loss)	54,740	27,646	(14,446)	(23,405)	(7,595)	(3,159)	B	32,699	1,082
<b>Assets:</b>									
Additions to non-current assets	11,486	13,557	737	1,209	8,663	569	C	20,886	15,335
Segment assets	887,641	877,586	299,122	254,841	56,360	48,798	D	1,243,123	1,181,225
<b>Segment liabilities</b>	<b>28,511</b>	<b>28,760</b>	<b>159,371</b>	<b>114,282</b>	<b>133,371</b>	<b>113,461</b>	<b>E</b>	<b>321,253</b>	<b>256,503</b>

### 39. 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.

	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Finance costs	(5,361)	(5,544)
Unallocated segment loss	(2,234)	2,385
	<b>(7,595)</b>	<b>(3,159)</b>

C Additions to non-current assets consist of:

Property, plant and equipment	20,021	14,583
Biological assets	865	752
	<b>20,886</b>	<b>15,335</b>

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

	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Tax refundable	9,935	16,793
Inter-segment assets	46,425	32,005
	<b>56,360</b>	<b>48,798</b>

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

	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Income tax payable	24	167
Deferred tax liabilities	93,468	95,338
Inter-segment liabilities	39,879	17,956
	<b>133,371</b>	<b>113,461</b>

#### **Geographical information**

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

	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
Malaysia	234,045	177,310
Singapore	110,160	229,218
China	-	1,631
Philippines	34,295	-
	<b>378,500</b>	<b>408,159</b>

#### 40. Significant events

- (a) 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 to be 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%

On 5 May 2016, the Group received from RSB a draft Deed of Variation proposing the following major changes to the BJVA:

- (i) the respective proportions in which UDSB and RSB will hold the issued ordinary share capital of the JV Company from time to time shall be as follows:

UDSB	40%
RSB	60%

- (ii) the BJVA shall be inserted with a new Condition Precedent as follows:

*"The relevant authority shall have issued separate land titles in respect of the lands which are the subject matter of the Pipe Rack Land Sublease."*

The draft Deed of Variation is under consideration by the Board of Directors and no decision has been made as at reporting date.

In addition, 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. Significant events (continued)**

- (b) On 29 December 2015, KHB Realty Sdn. Bhd., a wholly-owned subsidiary of the Group entered into a Sale and Purchase of Shares Agreement (“SPSA”) to dispose of the entire equity interest in its wholly-owned subsidiary, Sri Timbul Sdn. Bhd. for a total cash consideration of RM6,000,000.

The proposed disposal shall be completed within 12 months from reporting date.

**41. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 12 April 2017.

**42. 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 2016 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 or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Group</b>		<b>Company</b>	
	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>	<b>2016</b> <b>RM'000</b>	<b>2015</b> <b>RM'000</b>
<b>Total retained earnings of the Company and its subsidiaries</b>				
- Realised	183,208	178,662	179,113	120,562
- Unrealised	(33,159)	(32,418)	(9,591)	(9,449)
	150,049	146,244	169,522	111,113
Less: Consolidation adjustments	(11,922)	(5,002)	-	-
Retained earnings as per financial statements	138,127	141,242	169,522	111,113

# List Of Properties

	Name and Location of Property	Description	Tenure	Land Area	Year Revalued ("R")/ Acquired ("A")	Net Book Value as at 31.12.16 RM'000
1	Tanaki Estate Off Mile 35, Lahad Datu - Sandakan Highway	Oil palm plantation	Leasehold, - expiring in 2085	1,555 hectares	A: 2011	100,465
2	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	89,363
3	Bumiwealth Estate Off Mile 35, Lahad Datu - Sandakan Highway	Oil palm Plantation	Leasehold, - expiring in 2084	1,213 hectares	A: 2011	80,744
4	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	64,217
5	Kolopis Estate Off Mile 35, Lahad Datu - Sandakan Highway	Oil palm plantation	Leasehold, - expiring in 2085	1,277 hectares	A: 2011	60,149
6	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 183 hectares <u>789 hectares</u>	A: 2011 A: 2011 A: 2011	57,821
7	Silimpopon Estates I & II Km 128 Tawau-Kalabakan Highway	Oil palm plantation	Leasehold, - expiring in 2096	8,090 hectares	A: 1998	55,594

	Name and Location of Property	Description	Tenure	Land Area	Year Revalued ("R")/ Acquired ("A")	Net Book Value as at 31.12.16 RM'000
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> <u>853 hectares</u>	A: 2011 A: 2011	52,289
9	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 - expiring in 2045 - expiring in 2041	6.07 hectares 6.83 hectares 2.82 hectares 2.85 hectares 0.48 hectares	A: 2011 A: 2011 A: 2012 A: 2015 A: 2011	33,931
10	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 <u>11 hectares</u> 2,970 hectares  24 hectares 43 hectares <u>13 hectares</u> <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	31,499

	Name and Location of Property	Description	Tenure	Land Area	Year Revalued ("R")/ Acquired ("A")	Net Book Value as at 31.12.16 RM'000
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> <u>283 hectares</u>	A: 2011 A: 2011 A: 2011	18,436
12	Jalan Seguntor Off Mile 10.5, Jalan Labuk Sandakan	Vacant Land	Leasehold, - expiring in 2079 - expiring in 2077 - expiring in 2055	6.40 acres 5.46 acres 3.79 acres	A: 2013 A: 2013 A: 2013	6,341
13	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> <u>107 hectares</u>	A: 2011 A: 2011	5,540
14	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	2,950
15	Pupuk Borneo Sdn. Bhd. Mile 8, Jalan Apas Tawau	Fertilizer plant	Leasehold, - expiring in 2048	2.16 hectares	A: 2011	2,076
16	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> <u>133 hectares</u>	A: 1999 A: 2002 A: 2004	1,205
17	Lot 59, Block I Sadong Jaya, Karamunsing Kota Kinabalu	4-storey commercial building	Leasehold, - expiring in 2901	1,250 sq. feet	A: 1993	630

# Shareholdings Statistics

As at 12 April 2017

Class of Shares : Ordinary shares  
Voting Rights : 1 vote per ordinary share

## DISTRIBUTION SCHEDULE OF ORDINARY SHARES

GROUP	SHAREHOLDERS		SHAREHOLDINGS	
	NUMBER	%	NUMBER	%
1 to 99	28	0.52	857	0.00
100 to 1,000	209	3.85	104,648	0.01
1,001 to 10,000	2,951	54.44	16,570,394	0.71
10,001 to 100,000	1,876	34.61	65,263,651	2.80
100,001 to less than 5% of issued shares	352	6.49	1,235,444,715	53.08
5% and above of issued shares	5	0.09	1,010,242,870	43.40
Total	5,421	100.00	2,327,627,135	100.00

## LIST OF TOP 30 SHAREHOLDERS

	No. of ordinary shares held	Percentage (%)
1. Santraprise Sdn Bhd	360,000,000	15.47
2. RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	233,917,730	10.05
3. Mingo Development Sdn Bhd	145,425,140	6.25
4. Sabah Development Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	135,900,000	5.84
5. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	135,000,000	5.80
6. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	103,000,000	4.43
7. Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	93,647,690	4.02
8. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Santraprise Sdn Bhd	90,000,000	3.87
9. Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	83,500,000	3.59
10. UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	61,000,000	2.62
11. Santraprise Sdn Bhd	50,857,600	2.18

	No. of ordinary shares held	Percentage (%)
12. AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account – AmBank (M) Berhad for Datuk Lim Nyuk Sang @ Freddy Lim	50,000,000	2.15
13. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	50,000,000	2.15
14. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	49,000,000	2.11
15. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	43,012,000	1.85
16. DB (Malaysia) Nominee (Asing) Sdn Bhd - Exempt Authorised Nominee for Bank of Singapore Limited	37,523,400	1.61
17. AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account – AmBank (M) Berhad for Datuk Lim Nyuk Sang @ Freddy Lim	35,000,000	1.50
18. UOB Kay Hian Nominees (Asing) Sdn Bhd - Exempt Authorised Nominee for UOB Kay Hian Pte Ltd (A/C Clients)	29,002,550	1.25
19. RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Lim Nyuk Sang @ Freddy Lim	25,817,800	1.11
20. Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chua Peng Boon @ Choy Ah Mun	24,813,715	1.07
21. DB (Malaysia) Nominee (Tempatan) Sdn Bhd - Exempt Authorised Nominee for Bank of Singapore Limited	22,024,900	0.95
22. Datuk Lim Nyuk Sang @ Freddy Lim	18,342,860	0.79
23. Alliancegroup Nominees (Tempatan) Sdn Bhd - Beneficial Owner : Chin Chee Kan	15,515,300	0.67
24. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Len Kee	15,000,000	0.64
25. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chua Peng Boon @ Choy Ah Mun	13,284,700	0.57
26. Hee Chul Johng	12,566,800	0.54
27. Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Victoria Capital Sdn Bhd	11,338,900	0.49
28. Maybank Nominees (Tempatan) Sdn Bhd - Beneficial Owner : Chua Peng Boon @ Choy Ah Mun	10,433,700	0.45
29. Affin Hwang Nominees (Asing) Sdn Bhd - Beneficial Owner : DBS Vickers Securities (Singapore) Pte Ltd (Clients)	10,290,700	0.44

		No. of ordinary shares held	Percentage (%)
30. CIMSEC Nominees (Tempatan) Sdn Bhd - Beneficial Owner : Lim Nyuk Sang @ Freddy Lim		10,000,000	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	48.75	500,857,600*	21.52
Santraprise Sdn Bhd	500,857,600	21.52	-	-
Mingo Development Sdn Bhd	145,425,140	6.25	-	-

\* 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	-	-	-	-
Pek Hak Bin	-	-	-	-
Datuk Lim Nyuk Sang @ Freddy Lim	1,134,743,080	48.75	500,857,600*	21.52
Wong Len Kee	33,016,085	1.42	100,000#	0.00
Wong Chin Kwong	-	-	-	-
Tan Kung Ming	-	-	-	-
Teo Gim Suan	-	-	-	-

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

# Deemed interest in respect of shares held by his child.