Annual Report 2016

NPC Resources Berhad (502313-P)

NPC Resources Berhad

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NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of the Company will be held at the Conference Room 3, 6th Floor, The Palace Hotel, No. 1, Jalan Tangki, Karamunsing, 88100 Kota Kinabalu, Sabah, on Thursday, 25 May 2017 at 10.00 am to transact the following business:

AGENDA

ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon.	Please refer to Explanatory Notes (a)
2.	To declare a final single tier dividend of 1 sen per share in respect of the financial year ended 31 December 2016.	Resolution 1
3.	To re-elect the following Directors retiring in accordance with Article 93 of the Company's Constitution:	
	a) Dr. Edmond Fernandez	Resolution 2
	b) Tan Sri Dato' Sri Koh Kin Lip, JP	Resolution 3
4.	To re-appoint the following Directors:	
	a) Mr. Loo Ngin Kong	Resolution 4
	b) Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood	Resolution 5
5.	To approve the payment of Directors' fees of RM80,000 for the financial year ended 31 December 2016.	Resolution 6
6.	To approve the payment of allowances of up to but not exceeding RM500,000 to Non-Executive Directors, with effect from 1 January 2017 until the next Annual General Meeting of the Company.	Resolution 7
7.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	Resolution 8
8.	To consider and if thought fit, to pass the following resolutions:	

ORDINARY RESOLUTIONS

Proposed Retention of Independent Non-Executive Directors

(a)	"That subject to the passing of Resolution 2, Dr. Edmond Fernandez who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."	Resolution 9
(b)	"That subject to the passing of Resolution 5, Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."	Resolution 10
(c)	"That Mr. Lim Ted Hing who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."	Resolution 11

NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING (cont'd)

9. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION

Authority to issue shares pursuant to Section 76 of the Companies Act 2016 Resolution 12

"THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from the relevant statutory and regulatory authorities, where such approvals are necessary, full authority be and is hereby given to the Directors pursuant to Section 76 of the Companies Act 2016, to issue shares in the Company from time to time at such price upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued share in the Ordinary Share Capital of the Company for the time being and that the Directors be and are empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional new ordinary shares to be issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

10. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION

Proposed Renewal Of The Existing Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature Resolution 13

"THAT, approval be and is hereby given, for the Renewal of the Existing Shareholders' Mandate for the Company and/or its Subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4.2 of the Circular to Shareholders dated 26 April 2017 with the related parties described therein provided such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, on normal commercial terms, not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

AND THAT, such approval shall continue to be in force until:

(a) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND FURTHER THAT the directors be and are hereby authorized to complete and do such acts and things as may be required by the relevant authorities (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorized by this Ordinary Resolution."

NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING (cont'd)

11. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION

Proposed Renewal Of Authority For The Company To Purchase Its Own Shares Of Up To Ten Percent (10%) Of Its Total Number Of Issued Shares In The Ordinary Share Capital Of The Company Resolution 14

"THAT subject to the provisions of the Companies Act 2016 ("the Act"), the Constitution of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), all other applicable laws, rules, regulations, and orders and the approvals of all relevant regulatory authorities, the Company is hereby authorized to purchase and/or hold such amount of ordinary shares ("Shares") in the Company as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be purchased and/or held pursuant to this resolution shall not exceed ten percent (10%) of the total number of issued shares in the Ordinary Share Capital of the Company and that an amount of the funds not exceeding the retained profits of the Company, be utilized for Share buy-back;

AND THAT such Shares purchased may be retained as treasury shares and/or distributed as dividends and/or resold on the market of Bursa Securities and/or be cancelled, as the Directors may deem fit and expedient in the interest of the Company;

AND THAT such authority hereby given shall take effect immediately and shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company at which time it shall lapse unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by a resolution passed by the Shareholders in a general meeting,

whichever is the earlier.

AND FURTHER THAT the Directors be hereby authorised to do all such acts and things as may be required by the relevant authorities (including executing any relevant documents) as they may consider expedient or necessary to complete and give effect to the aforesaid authorisation."

12. To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING (cont'd)

GENERAL MEETING RECORD OF DEPOSITORS

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose determining a member who shall be entitled to attend this Seventeenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 68(b) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 17 May 2017. Only a depositor whose name appears on the Record of Depositors as at 17 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his behalf.

By Order of the Board
NPC Resources Berhad

Dorothy Luk Wei Kam (MAICSA 7000414)
Tan Vun Su (MIA 8095)
Company Secretaries

Kota Kinabalu, Sabah
Dated: 26 April 2017

Notes:

a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.

b) A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same Meeting, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

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

d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, either under its Common Seal or the hands of its officers or attorney duly authorised.

e) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah, not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

Explanatory Notes

(a) Audited Financial Statements for Financial Year Ended 31 December 2016

Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, it will not be put forward for voting.

NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING (cont'd)

(b) Re-appointment of Directors

With the coming into force the Companies Act 2016 on 31 January 2017, there is no age limit for directors.

At the Sixteenth Annual General Meeting of the Company held on 26 May 2016, both Mr. Loo Ngin Kong and Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood who are the above the age of 70, were re-appointed pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the Seventeenth Annual General Meeting and they have offered themselves for re-appointment.

The proposed Resolution 4 and 5, if passed, will enable Mr. Loo Ngin Kong and Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood to continue to act as Directors of the Company and they shall subject to retirement at a later date.

(c) Proposed Retention of Independent Non-Executive Directors

In relation to the proposed Resolution 9, 10 and 11, the Nomination Committee has assessed the independence of Dr. Edmond Fernandez, Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood and Mr. Lim Ted Hing who had served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, and recommended that they continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

(i) they have fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

(ii) they have ensured check and balance in the proceedings of the Board and the Board Committees;

(iii) they have actively participated in Board deliberations, provided objectivity in decision making and an independent voice to the Board;

(iv) they have devoted sufficient time and attention to their responsibilities as Independent Non-Executive Directors of the Company; and

(v) they have exercised due care in the interest of the Company and shareholders during their tenure as Independent Non-Executive Directors of the Company.

(d) Proposed Authority To Directors To Issue New Shares Under Section 76 Of The Companies Act 2016

The proposed Resolution 12, if passed, shall give power to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the total number of issued shares in the Ordinary Share Capital of the Company for the time being. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders on 26 May 2016. The Company did not utilize the mandate that was approved last year. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

(e) Proposed Renewal of the Existing Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

The proposed Resolution 13, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties provided that such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, on commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders. Shareholders are directed to refer to the Circular to Shareholders dated 26 April 2017 for more information.

(f) Proposed Renewal of Authority For The Company To Purchase Its Own Shares Of Up To Ten Percent (10%) Of Its Issued And Paid Up Share Capital

The proposed Resolution 14, if passed, shall empower the Directors of the Company to buy back and/or to hold the shares of the Company not exceeding ten percent (10%) of the total number of issued shares in the Ordinary Share Capital of the Company from time to time being quoted on Bursa Malaysia Securities Berhad as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company. Shareholders are directed to refer to the Statement to Shareholders dated 26 April 2017 for more information.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Loo Ngin Kong
(Executive Chairman)

Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood
(Independent Non-Executive Deputy Chairman)

Dato' Loo Pang Kee
(Executive Director/Group Managing Director)

Wong Siew Ying
(Executive Director)

Lim Ted Hing
(Independent Non-Executive Director)

Dr. Edmond Fernandez
(Independent Non-Executive Director)

Tan Sri Dato' Sri Koh Kin Lip, JP
(Non-Independent Non-Executive Director)

Tan Vun Su
(Executive Director)

AUDIT COMMITTEE

Lim Ted Hing *(Chairman)*
Dr. Edmond Fernandez *(Member)*
Tan Sri Dato' Sri Koh Kin Lip, JP *(Member)*

COMPANY SECRETARIES

Dorothy Luk Wei Kam *(MAICSA 7000414)*
Tan Vun Su *(MIA 8095)*

REGISTERED OFFICE

Lot 9, T3
Taman Tshun Ngen
Mile 5, Jalan Labuk
90000 Sandakan, Sabah
Tel : 089-274488
Fax : 089-226711

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301, Petaling Jaya, Selangor
Tel : 03-78418000
Fax : 03-78418008

INDEPENDENT AUDITORS

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

PRINCIPAL BANKERS

AmBank (M) Berhad
AmBank Islamic Berhad
Public Bank Berhad
Public Islamic Bank Berhad
RHB Bank Berhad
RHB Islamic Bank Berhad

SOLICITORS

M.F. Poon, Hiew & Associates
Advocates & Solicitors
Mezzanine Floor, Lot 1 & 2,
Block B, Taman Grandview,
Jalan Buli Sim-Sim.
90000 Sandakan, Sabah

STOCK EXCHANGE LISTING

Main Board of the
Bursa Malaysia Securities Berhad

DIRECTORS' PROFILE

***Loo Ngin Kong**, a Malaysian citizen, male, aged 80, was appointed as Executive Chairman of NPC on 31 January 2002. He has over 40 years' experience in the fields of oil palm plantation and palm oil milling. He started his business venture in the plantation industry in the 1960s and 1970s when he was involved in oil palm cultivation and contracting works for Federal Land Development Authority ("FELDA") in Pahang Darul Makmur and Low Nam Hui Sdn. Bhd. and its subsidiaries and Johor Tenggara Development Authority in Johor Darul Takzim. He expanded his business to Sabah in 1981 when he acquired Growth Enterprise Sdn. Bhd., now a subsidiary of the Company. He also sits on the Board of various private limited companies. He is the father of Dato' Loo Pang Kee, a director and a substantial shareholder of the Company and the husband of Wong Siew Ying, a director and a deemed substantial shareholder of the Company. Save as disclosed in note 33 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2016. He attended three (3) out of five (5) board meetings held during the financial year from 1 January 2016 to 31 December 2016.*

***Dato' Seri Tengku Dr Zainal Adlin bin Tengku Mahamood**, a Malaysian citizen, male, aged 77, was appointed as Non-Executive Deputy Chairman of NPC on 31 January 2002. He was redesignated as Independent Non-Executive Deputy Chairman on 12 July 2004. He obtained his Advanced Course in Local Government Administration Certificate from the University of Birmingham, United Kingdom and Institute of Local Government Studies, Sigtuna, Sweden in 1967. In 1981, he obtained the Top Management Programme Certificate from the Asian Institute of Management, and in 1995 was conferred Doctor of Philosophy (Hon.) from University Kebangsaan Malaysia. He began his career as a professionally trained pilot in the late fifties and early sixties. He subsequently served in the Kelantan Civil Service and the Malaysian Home and Diplomatic Service and had served in the capacity of Assistant District Officer, acting District Officer and Assistant State Secretary of Kelantan from 1961 to 1967 and was seconded from the Home and Diplomatic Service to the Sabah State Government for five (5) years from 1968 to 1973 in the capacity of Chief Executive Officer of the newly formed Sabah State Housing Commission. From 1974 to prior to retirement from Government service in 1996, he served the Yayasan Sabah in various capacities including Group Projects Development Manager, Deputy Director, Group Deputy Managing Director and Corporate Advisor. He was appointed as the Chairman of the Sabah Tourism Board by the Sabah State Government from May 2000 to May 2013. He is then appointed as the Chairman of The Sabah Parks Board of Trustees since 1 June 2013 until to date. He is the Vice-President Emeritus and Past Chairman of the World Wide Fund for Nature (WWF) Malaysia. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2016. He attended four (4) out of five (5) board meetings held during the financial year from 1 January 2016 to 31 December 2016.*

***Dato' Loo Pang Kee**, a Malaysian citizen, male, aged 48, is the co-founder of NPC Resources Berhad. He has served as the Group Managing Director cum CEO since 31st January 2002. Dato' Loo has over 30 years of extensive background in the oil palm plantation and related industries. He plays a key role in spearheading the expansion and new-business growth of the entire organisation. He is an alumnus of Harvard Business School. He is the son of Loo Ngin Kong, a director and a substantial shareholder of the Company. Save as disclosed in Note 33 to the Financial Statements, he has no conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2016. He attended four (4) out of five (5) board meetings held during the financial year from 1 January 2016 to 31 December 2016.*

DIRECTORS' PROFILE (cont'd)

Wong Siew Ying, *a Malaysian citizen, female, aged 63, was appointed as Executive Director of NPC on 31 January 2002. She has played an instrumental role in the management of the NPC group of companies over the last 30 years and her areas of responsibility include managing the Group's financial affairs, project funding requirements and credit management. She is the wife of Loo Ngin Kong, a director and a substantial shareholder of the Company. Save as disclosed in note 33 to the Financial Statements, she has no other conflict of interest with the Company. She has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2016. She attended four (4) out of five (5) board meetings held during the financial year from 1 January 2016 to 31 December 2016.*

Lim Ted Hing, *a Malaysian citizen, male, aged 62, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee and Nomination Committee. He is a member of the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"). He obtained his Fundamentals of Accounting from the North East London Polytechnic in 1977. Upon completion, he joined Malvern & Co., a firm of chartered accountants based in London, as an Articled Clerk during which he completed the ICAEW professional examinations in 1983. He joined Ernst & Young in 1985 and was the Senior Manager of its office in Sandakan prior to joining Syarikat Tekala Sdn. Bhd. in 1994 as the Group Financial Controller. Later in June 1996, he was appointed as an Executive Director/Chief Operating Officer of Tekala Corporation Berhad ("Tekala"), a company listed on the Main Market of Bursa Malaysia, and its subsidiaries. In January 2013, he was appointed as the Chief Executive Officer of Tekala. Other than his business interest in Tekala Group, he also sits on the board of several other private limited companies. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2016. He attended all the five (5) board meetings held during the financial year from 1 January 2016 to 31 December 2016.*

Dr Edmond Fernandez, *a Malaysian citizen, male, aged 62, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee and Nomination Committee. He graduated in 1981 from the University of Mysore, India. He started his medical practice in 1982 as a Medical Officer in Queen Elizabeth Hospital, Kota Kinabalu, Sabah and later in 1984, he was posted to Sandakan Health Department, Sabah as the Area Medical Officer. From 1988 onwards, he practised as a Private Medical Practitioner with Klinik Elopura Sdn. Bhd. ("KESB") and he was appointed as the Director of KESB in 1995. In 2001, he obtained his Licientiate of the Faculty of Occupational Medicine from Ireland and he was also appointed as a committee member of the Sandakan Water Watch Committee. He is the founding President of the Sandakan Toastmasters Club and the current chairman of the Plantation Health Committee of the Malaysian Medical Association. He has no family relationship with any other directors or major shareholders of the Company. Save as disclosed in note 33 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2016. He attended all the five (5) board meetings held during the financial year from 1 January 2016 to 31 December 2016.*

DIRECTORS' PROFILE (cont'd)

***Tan Sri Dato' Sri Koh Kin Lip, JP**, a Malaysian citizen, male, aged 68, was appointed as the Non-Independent Non-Executive Director of NPC on 12 July 2007. He was subsequently appointed as an Audit Committee member on 27 February 2008. He received his early education in Sabah prior to his pursuit of higher education in Plymouth Polytechnic (now known as Plymouth University), United Kingdom. Upon completion, he was awarded a Higher National Diploma in Business Studies and a Council's Diploma in Management Studies. He returned to Malaysia in 1977 and joined The Standard Chartered Bank, Sandakan as a trainee assistant. In 1978, he joined his family business and was principally involved in administrative and financial matters. In 1985, he assumed the role as a Chief Executive Officer of the family business. In 1987 he was pivotal and instrumental in the formation of Rickoh Holdings Sdn. Bhd., the flagship company of the family businesses. Rickoh Holdings Sdn Bhd and group of companies had since continued to grow via diversifying its business activities which are now comprising, among others, properties investments, property holdings, properties letting, property development, securities investments, oil palm plantations, sea and land transportation for crude palm oil and palm kernel, information technology, hotel business, car park operator, insurance agency, trading in golf equipment and accessories, river sand mining, bricks manufacturing and quarry operations. Currently, he is an Independent Non-Executive Director of Daya Materials Berhad and Cocoaland Holdings Berhad, a Senior Independent Non-Executive Director of IOI Properties Group Berhad, and also a member of the Management Committee of Red Sena Berhad, which are companies listed on the Main Market of Bursa Malaysia. He has no family relationship with any other directors or major shareholders of the Company. Save as disclosed in note 33 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2016. He attended all the five (5) board meetings held during the financial year from 1 January 2016 to 31 December 2016.*

***Tan Vun Su**, a Malaysian citizen, male, aged 50, was appointed as Executive Director of NPC on 7 November 2008. He joined the NPC Group in October 1998 as Group Accountant. After completing his G.C.E. 'A' Level at Raffles Junior College, Singapore in 1986, he returned to Malaysia and joined KPMG, Sandakan Office as an audit trainee in 1987. He obtained his professional qualification in Accountancy with the Malaysian Association of Certified Public Accountants ("MACPA") in June 1992. He is also a member of the Malaysian Institute of Accountants. In 1987, he started his career with KPMG as an audit trainee by signing a four (4) year articleship with the firm to undertake the professional examinations of MACPA. He has about seven (7) years of audit working experience serving a wide variety of clients and was seconded to KPMG, Kuala Lumpur Office from 1990 to 1991 to gain more audit exposure. In 1994, he joined Coopers and Lybrand, Kota Kinabalu as an Assistant Audit Manager before joining Sabah Shipyard Sdn. Bhd., Labuan as Accountant in 1995. In 1997, he joined TimberMaster Timber Complex (Sabah) Sdn. Bhd. as Accountant where he was in charge of the finance and account department prior to joining the NPC group of companies. He is currently overseeing the finance and accounting functions of the NPC Group. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2016. He attended all the five (5) board meetings held during the financial year from 1 January 2016 to 31 December 2016.*

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and the Audited Financial Statements for the Group and also the Company for the financial year ended 31 December 2016.

STATUS UPDATES

In Sabah, the Group currently operates approximately 11,745 hectares of plantation land and one palm oil processing mill which has a production capacity of 75 tonnes of FFB per hour, of which 7,736 hectares are located in the Sandakan region and 4,009 hectares in the Banggi Island of Sabah. The palm oil processing mill owned by the Group is located at Kilometre 70, Sandakan-Telupid-Kota Kinabalu Highway in the district of Labuk-Sugut ("Berkat mill").

Todate, the Group has a total plantation land area of 46,276 hectares in Kalimantan Timur, Indonesia, 42,656 hectares of which have been issued with certificates of Hak Guna Usaha by the Indonesian authority ("HGU certificates"). For the financial year 2016, the Group's total planted hectarage in Indonesia was 18,453 hectares. The Group also operates one palm oil processing mill which has a production capacity of 60 tonnes of FFB per hour and is located at Desa Senambah, Kecamatan Muara Bengkal, Kebupaten Kutai Timur, Kaltim ("Nala mill").

INDUSTRY TREND AND DEVELOPMENT

Prolonged dry weather conditions and below average rainfall brought about by the El-Nino weather phenomena in the second half of 2015 and into the first half of 2016 had impacted the Malaysian oil palm industry performance in 2016. The year 2016 saw crude palm oil (CPO) production declined by double-digit, which drew down palm oil stocks and pushed up palm oil prices. High palm oil prices had influenced exports to major markets as the discount of CPO to soyabean oil narrowed. Average CPO price in 2016 was higher by 23.2% to reach RM2,653.00. Higher palm oil prices also helped to increase the export revenue by 7.3% to RM64.58 billion from RM60.17 billion in 2015.

Oil palm planted area in 2016 reached 5.74 million hectares, an increase of 1.2% as against 5.64 million hectares recorded in the previous year. This was mainly due to the increase in new planted areas, especially in Sarawak, which recorded an increase of 4.7%. Sabah is still the largest oil palm planted State, with 1.55 million hectares or 27% of the total oil palm planted area, followed by Sarawak with 1.51 million hectares or 26%. Meanwhile, Peninsular Malaysia (with 11 States) accounted for 2.68 million hectares or 47% of the total planted area.

In 2016, CPO production recorded a decline of 13.2% to 17.32 million tonnes as against 19.96 million tonnes produced in 2015. The decrease was due to lower FFB processed, down by 12.0% arising from lower FFB yield, which declined by 13.9% and also lower oil extraction rate (OER). CPO production in Peninsular Malaysia, Sabah and Sarawak decreased by 15.7%, 15.2% and 3.0% to 8.89 million tonnes, 4.85 million tonnes and 3.59 million tonnes respectively.

The FFB yield for 2016 was also lower, down by 13.9% to 15.91 tonnes per hectare as against 18.48 tonnes per hectare achieved in 2015. The El-Nino phenomenon beginning in the second half of 2015, with prolonged dry weather conditions and below average rainfall had impacted the production of FFB in 2016. FFB yield for Peninsular Malaysia declined by 16.0% to 15.77 tonnes per hectare as against 18.77 tonnes per hectare achieved in 2015. Sabah registered a decline of 14.5% to 17.10 tonnes per hectare as against 19.99 tonnes per hectare achieved in the previous year. Sarawak's FFB yield was relatively lower at 14.86 tonnes per hectare or down by 8.3% as compared to 16.21 tonnes per hectare achieved in 2015.

The National OER in 2016 declined by 1.4% to 20.18 percent mainly due to unfavourable weather conditions and lower quality of FFB processed by palm oil mills. OER in Peninsular Malaysia, Sabah and Sarawak declined by 1.2%, 2.1% and 0.6% to 19.76%, 21.11% and 20.02% respectively.

CHAIRMAN'S STATEMENT (cont'd)

Total exports of oil palm products declined by 8.2% to 23.29 million tonnes in 2016 from 25.37 million tonnes exported in 2015. Total export revenue, however, increased by 7.3% to RM64.58 billion compared to the RM60.17 billion achieved in 2015 due to higher export prices. Palm oil export revenue increased by 5.1% to RM43.37 billion as against RM41.26 billion in 2015. Palm oil off-take declined by 8.1% to 16.05 million tonnes as compared to 2015 due to lower demand, especially from India, China, the EU and USA.

Palm oil stocks closed at 1.67 million tonnes, a decline of 36.5% from 2.63 million tonnes recorded in December 2015. The lower closing stocks was mainly due to lower CPO production, down by 13.2% or 2.64 million tonnes and lower palm oil imports by 59.6% or 612,743 tonnes.

In 2016, the prices of all oil palm products were higher. CPO was traded higher by 23.2% or RM499.50/tonne to reach RM2,653.00/tonne as compared to RM2,153.50/tonne in 2015. The highest traded price was in December at RM3,200.00/tonne and the lowest price was in January at RM2,250.50/tonne. The higher CPO price during the year was mainly due to lower CPO production as dryness caused by El-Nino weather phenomena, which lowered FFB yield, thus boosting palm oil prices, coupled with firmer competing vegetable oil prices, i.e. SBO price and weaker Ringgit as against US Dollar, which made palm oil cheaper as compared to other vegetable oils in the world market.

The average price of palm kernel (PK) in 2016 increased by RM1,083.50/tonne or 70.9% to RM2,611.00/tonne as compared to RM1,527.50/tonne during the same period of 2015. The higher PK price was mainly due to the bullish domestic CPKO price sentiment. The price of CPKO in 2016 also increased by RM2,119.50/tonne or 62.8% to RM5,492.50/tonne from RM3,373.00/tonne registered during the same period of 2015. The higher prices were in tandem with the firmer world lauric oil prices in 2016, namely that of CPKO higher by US$342 or 36.1% to US$1,290/tonne and coconut oil higher by US$366 or 33.0% to US$1,475/tonne.

The average FFB price at 1% OER was higher by reach 31.0% to reach RM30.08 in 2016, up from RM22.96 achieved in the previous year, which was also in tandem with the higher CPO and PK prices. Based on the National OER, the average price of FFB in 2016 was equivalent to RM594/tonne as against RM459/tonne recorded in the previous year.

(Source: Overview of the Malaysian Oil Palm Industry 2016 by the MPOB)

SIGNIFICANT EVENTS

On 29 September 2016, the Company had announced to Bursa Malaysia that the Company had entered into a Conditional Sales and Purchase Agreement with Budaya Potensi Sdn Bhd (Company No. 832404-A) in relation to the proposed disposal of the entire equity interest in Sungai Ruku Oil Palm Plantation Sdn Bhd, a wholly owned subsidiary of the Company for a sales consideration of RM35,500,000 only. On the same date, the Company's wholly owned subsidiary, Agrisa Trading Sdn Bhd has also entered into a Conditional Sales and Purchase Agreement with Budaya Potensi Sdn Bhd in relation to the proposed disposal of a parcel of agricultural land located at Segaliud-Lokan, in the District of Kinabatangan, in the State of Sabah for a sales consideration of RM12,000,000 only.

The above Proposal was completed on 3rd March 2017.

CHAIRMAN'S STATEMENT (cont'd)

DIVIDENDS

(a) For the financial year ended 31 December 2015, the final single-tier dividend of 1 sen per ordinary share amounting to RM1,197,303 which was approved by the shareholders at the Annual General Meeting on 26 May 2016 was paid on 5 August 2016.

(b) The Board had on 3 April 2017 proposed a final single tier dividend of 1 sen per ordinary share on 116,891,700 ordinary shares (excluding 3,108,300 treasury shares) in respect of the financial year ended 31 December 2016, amounting to a dividend payable of RM1,168,917 for shareholders' approval at the forthcoming Annual General Meeting.

CORPORATE SOCIAL RESPONSIBILITY PRACTICES

The Group adopts the following practices as part of its environmental conservation efforts:-

(a) zero burning in land development and re-development activities;
(b) soil and water conservation methods tailored to the topography and drainage characteristics of the land;
(c) recycling of empty fruit bunches ("EFB");
(d) self-sufficiency in energy inputs in our palm oil mills; and
(e) where practical, buffaloes are used for infield FFB evacuation thus reducing the consumption of non-renewable fuel.

The Palace Hotel (TPH) owned by the wholly-owned subsidiary, The Palace Ventures Sdn Bhd (TPVSB) has been practicing energy efficiency and waste management to 4R – Respect, Reduce, Reuse & Recycle, resource conservation, water management and biodiversity. These practice minimised carbon footprints impact on the environment. The Hotel is a Green Hotel certified by the Ministry of Culture and Tourism and established as Highly Commended in the Asia Pacific Green Hotelier Award. It is recognised as a Litter Free Hotel by Kota Kinabalu City Hall, Blue Ribbon recognition as a Smoke Free Hotel certified by the Ministry of Health Malaysia and bench-marked by EarthCheck, Australia.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our sincere gratitude to the management and valued employees of the Group who have continued with their commitment, dedication and co-operation during the year.

I would also like to express our sincere appreciation for the long-standing support, co-operation, commitment and guidance of our valued customers, suppliers, business associates, bankers and regulatory authorities.

Lastly, to the shareholders of the Company, we thank you for your faith in us and for your unwavering and continuous support to the Group.

Thank you.

Loo Ngin Kong
Executive Chairman

STATEMENT OF MANAGEMENT DISCUSSION AND ANALYSIS

1. *BUSINESS OBJECTIVES AND STRATEGIES*

NPC RESOURCES BERHAD is principally an investment holding company while its subsidiaries are involved in investment holding, provision of management services, operation of oil palm plantations and palm oil mills, trading of fresh fruit bunches ("FFB"), provision of transportation services, property letting and operation of hotel. The Company was listed on the Main Board of the Kuala Lumpur Stock Exchange on 7 May 2002.

In Sabah, the Group currently operates approximately 11,745 hectares of plantation land and one palm oil processing mill which has a production capacity of 75 tonnes of FFB per hour, of which 7,736 hectares are located in the Sandakan region and 4,009 hectares in the Banggi Island of Sabah. The palm oil processing mill owned by the Group is located at Kilometre 70, Sandakan-Telupid-Kota Kinabalu Highway in the district of Labuk-Sugut ("Berkat mill").

Todate, the Group has a total plantation land area of 46,276 hectares in Kalimantan Timur, Indonesia, 42,656 hectares of which have been issued with certificates of Hak Guna Usaha by the Indonesian authority ("HGU certificates"). For the financial year 2016, the Group's total planted hectarage in Indonesia was 18,453 hectares. The Group also operates one palm oil processing mill which has a production capacity of 60 tonnes of FFB per hour and is located at Desa Senambah, Kecamatan Muara Bengkal, Kabupaten Kutai Timur, Kaltim ("Nala mill").

2. BUSINESS SEGMENT

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

(a) The plantation and milling segment is involved in cultivation and sale of oil palm products.
(b) The hotelier segment is involved in hotel operations.
(c) The corporate segment is involved in Group-level corporate services, treasury and purchasing functions and business investments.

3. OPERATIONS REVIEW

Perfomance Results

For the financial year ended 2016, the average CPO price realised by the Group was RM2,518 per tonne representing a 18.5% increase as compared to RM2,124 per tonne realised in 2016 and the average palm kernel (PK) price realised was RM2,480 per tonne, representing a 61.1% increase as compared to RM1,539 per tonne realised in 2015. The Group achieved total CPO production of 81,445 tonnes and PK production of 20,026 tonnes for the financial year ended 2016 as compared to the CPO production of 120,687 tonnes and PK production of 30,239 tonnes in 2015. The total FFB processed by the Group for 2016 was 394,802 tonnes as compared to 568,138 tonnes in previous financial year. The Group's revenue of RM287.532 million for 2016 was lower as compared to RM317.758 million for 2015 due to lower milling throughput.

The CPO extraction rates of the Group had decreased to 20.63% for 2016 as compared to 21.24% for 2015 while the PK extraction rates of the Group had decreased to 5.07% for 2016 as compared to 5.32% for 2015. In 2016, the Group recorded a profit net of tax of RM50.213 million as compared to loss net of tax of RM13.133 million recorded for 2015.

STATEMENT OF MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

3. OPERATIONS REVIEW (cont'd)

Capital Expenditure

The Group spent a capital expenditure of RM16.061 million in property, plant and equipment in the current year as compared to RM27.219 million in the previous year. The 41% decrease was mainly due to the major costs of construction of palm oil mill in Indonesia incurred in previous year and completed in June 2016. On biological assets, the Group incurred RM43.613 million in the current year which is a 33% decrease compared to RM64.642 million in 2015.

All capital expenditures are funded by internally generated funds and external borrowings.

4. OPERATIONAL AND FINANCIAL RISKS

Operational Risks

The Group's operational risks are greatly affected by the weather. As per the "Overview of the Malaysian Oil Palm Industry 2016" by the MPOB, the prolonged dry weather conditions and below average rainfall brought about by the El-Nino weather phenomena in the second half of 2015 and into the first half of 2016 had impacted the Malaysian oil palm industry performance in 2016. When the supply of FFB drops, this will directly affect the supply of CPO & PK and lead to the price fluctuations in the market price of CPO & PK.

On the other hand, the plantation segment depends greatly on the labour supply. Despite the severe labour shortages experienced in 2016 throughout many industrial sectors in Malaysia including the Plantation Sector, the Management has made good progress in terms of completing the majority of its upkeep programmes on time throughout the Group's estates.

Financial Risks

The Group's financial risks are set out in Note 35 under the Notes to the financial statements.

5. PROSPECTS AND OUTLOOK

Plantation segment

Given the current level of CPO and PK prices, the Group's plantation segment will remain profitable for the next financial year and its performance will be in line with the industry norm. There is yet to be any significant revenue and profit contribution from the Group's plantation operation in Indonesia for the next financial year as majority of the plantation area is still in the preliminary development and immature stage.

Hotel segment

The prospect of the hotel segment is expected to be challenging for the next financial year.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors and Management are committed to ensuring good corporate governance is observed throughout the Group. The Board views corporate governance as synonymous with three key concepts - transparency, accountability as well as corporate performance.

With the principles and recommendations set out in the Malaysian Code of Corporate Governance 2012 ("MCCG 2012" or "the Code"), the Board continues to adopt best practices and cultivate strong practices of good corporate governance at all levels in the Group. The Board always reviews and enhances the Group's corporate governance framework in ensuring the relevance and ability in establishing sustainable shareholders' value and facing future business.

This statement reflects the Board's great commitment in maintaining good corporate governance and outlines the way the Group complies with the principles and recommendations set out in MCCG 2012. In the event of any recommendations which the Group has not followed, reasons and alternatives are explained.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The Directors combined in them expertise and experience in various fields such as palm oil industry, investment, public services and accounting. Their expertise, experience and background result in thorough examination and deliberations of the various issues and matters affecting the Group. The profile of each Director is presented on pages 8 to 10 of this Annual Report. In addition, all the members of the Board have attended the Mandatory Accreditation Program as required and prescribed by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

1.2 Clear Roles and Responsibilities of The Board

The Board of Directors plays a primary role in corporate governance by setting out the strategic direction of the Group, establishing goals and monitoring the achievement of the goals. A structured risk management process has also been established to better identify, formalise, monitor within the various operating units and manage the business risks affecting the Group.

Other key responsibilities of the Board include the following:-

(a) overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
(b) approving the Group's budget and reviewing the Group's actual results against budget;
(c) reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
(d) managing the delegation of duties to the Group's management;
(e) succession planning for senior management positions; and
(f) implementing shareholder communications policy.

To facilitate the Board in carrying out their responsibilities, the Board has drawn up and approved the approval guidelines for group transactions, specifying the approval limits with regards to type and quantum or threshold of transactions to be entered into.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

1.2 *Clear Roles and Responsibilities of The Board* (cont'd)

At the board meetings, the Board had among others:-

(a) reviewed and approved the Unaudited Quarterly Financial Results of the Group;
(b) reviewed and approved the year end Financial Statements and Annual Report of the Company together with the Reports of the Directors and Auditors;
(c) reviewed the Internal Auditors' Reports;
(d) reviewed each quarter's related party transactions;
(e) reviewed and approved the Group's Annual Budget;
(f) reviewed management reports on business operations; and
(g) deliberated, and in the process evaluated the viability of business propositions and corporate proposals.

1.3 *Board Charter*

The Board is guided by the Board Charter which sets out the role, composition and responsibilities of the Board and is posted at the Company's corporate website (www.npc.com.my). The Board will review the Board Charter annually to ensure it remains consistent with the Board's objectives and responsibilities. In carrying out its role and responsibilities, the Board is further guided by the existing code of conduct formalised in the Group's Human Resource Handbook and its compliance is to be strictly observed throughout the Group.

1.4 *Code of Conduct*

The Board continues to adhere to the Code of Conduct for Directors which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that in turn promotes the values of transparency, integrity, accountability and social responsibility.

The Board recognises the importance of adhering to and complying with the provisions of the Code of Conduct in their day-to-day functioning. Thus, the Board collectively and individually acts within the authority conferred upon them in the best interest of the Group.

The Board also practices the following Code of Conduct:

(a) acts in the best interest of, and fulfils their fiduciary obligations to the Group and its shareholders;
(b) acts honestly, fairly, ethically and with integrity;
(c) conducts themselves in a professional, courteous and respectful manner without taking improper advantage of their position;
(d) acts in good faith, responsibly, with due care, competence and diligence without allowing their independent judgement to be subordinated;
(e) uses their prudent judgement to avoid/abstain from all situations, decisions or relationships which give or could give rise to conflict of interest or appear to conflict with their responsibilities within the Group, and to inform the Board, at the earliest opportunity, of any existing or potential conflict of interest situation;
(f) not exploit for his own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the Group declines to pursue such opportunity for its business interest;
(g) acts to enhance and maintain the reputation of the Group; and
(h) strives to contribute towards the growth and stability of the Group.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

1.5 *Sustainability of Business*

A Strategic Plan has been adopted as one of the key policies in ensuring that the Group crystallises its future plans and provides a clear direction for the Board and Officers of the Group. The Strategic Plan promotes sustainability and its sustainability policies and implementation are disclosed in the Corporate Social Responsibility Practices section of the Chairman Statement on page 13 of this Annual Report.

1.6 *Supply of Information to Board Members*

The Company Secretaries, in consultation with the Executive Chairman and the Group Managing Director, issue formal agenda with the relevant board meeting papers, at least one (1) week prior to each meeting. Any one of the Directors may at any time and the Company Secretaries shall on requisition of a Director summon a meeting of Directors. All Directors have access to the advice and services of the Management and Company Secretaries together with all information within the Group whether as full board members or in their individual capacity, in furtherance of their duties. The appointment and removal of Company Secretaries are matters for the Board as a whole. The Board recognises the strong and positive support of the Company Secretaries for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Directors are informed and aware they may take independent professional advice, if necessary and appropriate in furtherance of their duties, at the expense of the Group. The Company Secretaries are members of the Malaysian Institute of Accountants (MIA) or the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

1.7 *Access to Management, Company Secretaries and Independent Professional Advice*

All Directors have unrestricted direct access to the Company's Senior Management and the services of the Company Secretaries to enable them to discharge their duties and responsibilities effectively. The Board is regularly updated and advised on statutory and regulatory requirements by the Company Secretaries who are suitably qualified, experienced and competent.

The Company Secretaries are responsible to provide clear and professional advice to the Board on all governance matters and assist the Board on the implementation of an effective corporate governance system. Apart from playing an active role in advising the Board on governance and regulatory matters, the Company Secretaries also organise and attend all Board meetings and ensure that all Directors receive timely, clear and concise information in advance prior to the scheduled meetings.

In order to ensure uniformity of Board conduct, the Company Secretaries also provide oversight on the overall corporate secretarial functions of the Group, both locally and in the countries where the subsidiaries are operating, and served as an adviser on matters pertaining to governance.

In the furtherance of its duties, the Board is also authorised to obtain independent professional advice on specific matters, if necessary, at the Company's expense from time to time to enable the Board to discharge its functions in the decision-making process.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 2: STRENGTHEN COMPOSITION

The Board has three standing committees; the Audit Committee, the Remuneration Committee and Nomination Committee. The Board of Directors delegates certain responsibilities to the Audit Committee in order to enhance business and operational efficiency as stated on pages 30 to 31 of this Annual Report. The Chairman of the Audit Committee reports back to the Board the outcome of the Committee meetings. The membership and Terms of Reference of the Committee are as stated on pages 29 to 31 of this Annual Report.

2.1 Nomination Committee ("NC")

In compliance with the Listing Requirements, a Nomination Committee was established by the Board on 22 November 2002. The Committee comprises two Independent Non-Executive Directors. The members as at the date of this Annual Report are:

1. Mr. Lim Ted Hing (Independent Non-Executive Director) - Chairman
2. Dr. Edmond Fernandez (Independent Non-Executive Director)

The Committee is entrusted to formally and transparently review annually the Board structure, size and composition; to nominate candidates to fill vacancies; and recommend for re-election of Directors who are retiring. All Directors will be subject to the same assessment criteria and process. The Board through this Committee ensures that there is an appropriate induction and training programme for new Board members. The Committee is entitled to the services of the Company Secretaries who must ensure all appointments are properly made and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting regulatory requirements.

In making recommendations and performing its annual review, the Committee considers the directors'

(a) mix of skills, knowledge, expertise and experience;
(b) professionalism and integrity; and
(c) in the case of audit committee members, each member's ability to discharge responsibilities and functions as required such as the ability to read, analyse and interpret financial statements.

The full Committee met twice during the financial year. The meeting on 27 January 2016 was to assess the effectiveness of the Board, Board Committees and the contribution of individual directors.

On 4 April 2016, the Committee met to consider and recommend the:-

(a) re-appointment of Mr. Loo Ngin Kong and Dato' Seri Tengku Dr. Zainal Adlin bin Tengku Mahamood retiring as directors pursuant to Section 129(2) of the Companies Act, 1965 at the Sixteenth Annual General Meeting;
(b) re-election of Dato' Loo Pang Kee and Mr. Lim Ted Hing retiring as directors pursuant to Article No. 93, at the Sixteenth Annual General Meeting; and
(c) proposed retention of Mr. Lim Ted Hing, Dr. Edmond Fernandez and Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood as independent non- executive directors.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

2.2 Re-appointment and Re-election of Directors

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every annual general meeting and may offer themselves for re-appointment to hold office until the next annual general meeting.

In accordance with the Company's Constitution, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting and that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

Pursuant to Recommendation 3.3 of the MCCG 2012, any independent directors who have served in that capacity for more than nine years and to be retained by the Board in that capacity are subject to shareholders' approval at every annual general meeting.

2.3 Boardroom Diversity

The Board is aware of the importance of boardroom diversity and the recommendations of the board gender diversity objectives stated in the Corporate Governance Blueprint 2011 which target at least 30% women participation at the board by year 2016. The Board always practices the policy of non-discrimination on the basis of race, religion and gender.

The Board will continue to review the suitability and credibility of potential women candidates for the Board to reach 30% women participation. However, the Board, especially the Nomination Committee, believes that it is more important to have the right mix of skills at the board instead of the percentage itself in order to enable the Board to perform effectively.

2.4 Remuneration Committee ("RC")

In compliance with the Listing Requirements, a Remuneration Committee was established by the Board on 22 November 2002. The Committee comprises two Independent Non-Executive Directors. The members as at the date of this Annual Report are:

1. Dr. Edmond Fernandez (Independent Non-Executive Director) (Chairman)
2. Mr. Lim Ted Hing (Independent Non-Executive Director)

The Board as a whole determines the remuneration of the Directors with individual Directors abstaining from decisions in respect of their own remuneration.

2.5 Directors' Remuneration

The Committee is delegated with the following duties in accordance with its approved terms of reference:

- to annually review in a formal and transparent manner, the remuneration packages of all the Executive Directors and make recommendations therewith; and
- to recommend to the Board the Company's framework for retaining and rewarding the Executive Directors.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

2.5 *Directors' Remuneration (cont'd)*

The Committee shall ensure that the Company attracts and retains the Directors needed to run the Group successfully. The Executive Directors are to be appropriately rewarded giving due regard to the performance of the Directors and business, whilst the Non-Executive Directors are to be rewarded to reflect their experience and level of responsibilities.

The full Committee met once during the financial year. The meeting on 27 January 2016 was to review and recommend revisions to Executive Directors' remuneration for financial year 2016 with regards to industry norm for remuneration to Executive Directors, the performance of the Group for 2015 and the work scope of the Managing Director.

The details of the remuneration for the Directors of the Company during the financial year ended 31 December 2016 are as follows:

Directors' Remuneration	**Executive Directors** RM'000	**Non-Executive Directors** RM'000
Fees	40	40
Emoluments	4,507	354
Benefits-in-kind	69	-
Total	***4,616***	***394***

The number of Directors whose remuneration during the financial year ended 31 December 2016 falls within the following bands is as follows:

NUMBER OF DIRECTORS

Directors' Remuneration RM	**Executive**	**Non-Executive**
50,001 to 100,000	-	1
100,001 to 150,000	-	3
550,001 to 600,000	1	-
650,001 to 700,000	1	-
1,000,001 to 1,050,000	1	-
2,300,001 to 2,350,000	1	-

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 3: REINFORCE INDEPENDENCE

3.1 Assessment of Independence of Independent Directors

The Board will undertake an annual assessment of its independent directors as the Board wants to ensure objectivity in the decision-making process. The Board and its NC assessed the independence of all the Independent Non-Executive Directors based on the criteria prescribed under the Main Listing Requirement ("LR") in which an Independent Director should be independent and free from any business or other relationship which could interfere with the exercise of independent judgement, or the ability to act in the best interest of the Company.

The Board and its NC have upon their annual assessment, concluded that the independence criteria as set out in the Main LR have been fulfilled by each of the Independent Non-Executive Directors and each of them continues to demonstrate intrinsic independent values, conduct and behaviour that are essential indicators of independence.

3.2 Tenure of Independent Directors

Recommendation 3.2 of the MCCG 2012 states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, the Board has assessed, reviewed and determined that the three independent Directors, namely, Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood, Mr. Lim Ted Hing and Dr. Edmond Fernandez who have served the Company as independent directors for more than nine years, remain objective and independent based on the following justifications:-

(a) they have fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
(b) they have ensured check and balance in the proceedings of the Board and the Board Committees;
(c) they have actively participated in Board deliberations, provided objectivity in decision making and an independent voice to the Board;
(d) they have devoted sufficient time and attention to their responsibilities as Independent Non-Executive Directors of the Company; and
(e) they have exercised due care in the interest of the Company and shareholders during their tenure as Independent Non-Executive Directors of the Company.

3.3 Separation of Positions of The Chairman and The CEO

The Company has yet adopted the Recommendations 3.4 and 3.5 of the MCCG 2012 whereby the chairman of the Company must be a non-executive member of the Board and the board must comprise a majority of independent directors where the chairman of the board is not an independent director. These non-compliances are mitigated in the events of dealing with matters in the board meetings which have potential conflict of interests with the Chairman of the Company who is also an Executive Director and any other executive directors of the Company, the Deputy Chairman, Dato' Seri Tengku Dr. Zainal Adlin bin Tengku Mahamood who is a non-executive independent director will assume the role of the Chairman in the board meetings.

3.4 Composition of The Board

The Board of Directors comprises eight members comprising four Executive Directors, one Non-Independent Non-Executive Director and three Independent Non-Executive Directors. The Board is well balanced in size and composition and the interest of shareholders of the Company are fairly represented through the current composition. The Board recognizes the importance and contribution of its non-executive directors. They represent the element of objectivity, impartiality and independent judgement of the Board. This ensures that there is sufficient check and balance at the Board level.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 4: FOSTER COMMITMENT OF DIRECTORS

To ensure its members' time commitment in carrying their responsibilities to the Company, the Board has adopted Recommendation 4.1 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") whereby all board members should notify the Chairman of the Company before accepting any new directorship of other public listed companies. The notification should include an indication of time that will be spent on the new appointment.

The Board believes that it is impractical to specifically set out the minimum/maximum time commitment expected of its Directors, each Director is expected to devote sufficient time to attend AGMs, EGMs, Directors' training and site visits apart from all meetings of the Board and Board Committees.

4.1 Board Meetings

The Board had held 5 meetings during the financial year ended 31 December 2016. Details of the attendance of the Directors at the Board Meetings are as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
1. Loo Ngin Kong	3	5
2. Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood	4	5
3. Dato' Loo Pang Kee	4	5
4. Wong Siew Ying	4	5
5. Lim Ted Hing	5	5
6. Dr. Edmond Fernandez	5	5
7. Tan Sri Dato' Sri Koh Kin Lip, JP	5	5
8. Tan Vun Su	5	5

The Board's deliberations of issues discussed and decisions reached were recorded in the minutes of meetings. Minutes of each board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes before the commencement of the next Board meeting.

In the interval between Board meetings, for matters requiring urgent Board decisions, Board approvals were sought via circular resolutions which were attached with sufficient information required for an informed decision.

PRINCIPLE 4: FOSTER COMMITMENT OF DIRECTORS (cont'd)

4.2 *Directors' Continuing Development*

All Directors have attended the Mandatory Accreditation Programme as required by Bursa Malaysia.

The Directors are required to attend talks, seminars, workshops, conferences and other training programmes to update themselves on, inter-alia, areas relevant to the Group's operations; Directors' responsibilities and corporate governance issues, new business development, as well as on changes to statutory requirements and regulatory guidelines.

Details of training attended by the Directors for the financial year ended 31 December 2016 are as follows:

Conference / Seminar / Workshop
• SSM Sabah Seminar 2016 "The Companies Bill 2015 & Interest Schemes Bill 2015" organised by Suruhanjaya Syarikat Malaysia
• Part I: Great Advice on Preparing For and Managing Board Meetings and Part II: Nuts & Bolts of Disclosures Obligations of Directors (S131 & S135) organised by MAICSA
• New Expectations For Directors & Company Secretaries Under The Companies Act 2016 organised by Institute of Approved Company Secretaries
• The Companies Act 2016 – Challenges For Directors and Secretaries organised by MAICSA
• 8th ASIA Sustainable Oil Palm Summit organised by Centre For Management Technology, Singapore
• Companies Bill 2015: A Snapshot of Changes organised by Malaysian Institute of Accountants
• MSWG-Institutional Investor Council Governance Week 2016 by Bursa Malaysia
• Fraud Risk Management Workshop organised by Bursa Malaysia Berhad
• FX & Economic Outlook Briefing organised by RHB Bank Berhad
• 2017 Budget and Tax Conference organised by Ernst & Young Tax Consultants Sdn Bhd
• Launch of the AGM Guide & CG Breakfast Series : "How To Leverage on AGMs for Better Engagement with Shareholders" organised by Bursa Malaysia Berhad and MAICSA
• Sustainability Reporting 2016 organised by Deloitte Malaysia
• Briefing on the new Companies Act 2016 organised by Lee Hishammuddin Allen & Gledhill
• Shell Preferred Doctor's Engagement Session organised by Shell Health Malaysia
• PETRONAS Approved Medical Examiner Engagement 2016 organised by Petroliam Nasional Berhad (PETRONAS)

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

5.1 *Financial Reporting and Responsibility in respect of the Preparation of Audited Financial Statements*

In presenting the annual financial statements and quarterly announcements to the shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year. The Directors consider that in presenting the financial statements, the Group has used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgements and estimates.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY (cont'd)

5.1 Financial Reporting and Responsibility in respect of the Preparation of Audited Financial Statements (cont'd)

The Directors have a general responsibility for ensuring the Group and the Company keep accounting records and financial statements, which disclose with reasonable accuracy the financial position of the Group and of the Company. The Directors have taken steps to ensure that such financial statements comply with the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The Directors are also responsible for taking steps that are reasonably open to them to safeguard the assets of the Group and prevent and detect fraud and other irregularities.

5.2 Suitability and Independence of External Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 29 to 31 of this annual report. A summary of the activities of the Audit Committee during the year, including the evaluation of the internal audit process, is set out in the Audit Committee Report on page 32 of this annual report.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

6.1 Sound Risk Management Framework

Within the powers conferred upon the Board by the Company's Constitution and in addition to its statutory and fiduciary duties and responsibilities, the Board assumes responsibility for effective stewardship and management of the Company with the strategic objective to build and deliver long term shareholder value whilst meeting the interests of shareholders and other stakeholders. The Board provides strategic direction and formulates corporate policies to ensure the Group's resources and profitability are optimised. The Board is also responsible for assessing the integrity of the Group's financial information and the adequacy and effectiveness of the Group's system of internal control and risk management processes.

The Board is supported by the Group Risk Management Committee which is responsible to oversee the risk management efforts within the Group. The risk management process includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.

6.2 Internal Audit Function

The Directors acknowledge their responsibilities for maintaining a sound system of internal control which is necessary to safeguard the Group's assets and shareholders' investment. In this respect, the Board affirms its overall responsibility for the Group's internal control system, which encompasses risk management practices as well as financial, operational and compliance controls. Information on the Group's internal control system is presented in the Statement on Risk Management and Internal Control laid out on pages 33 to 34 of this annual report.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Company Secretaries and the Head of the Group Finance Department are responsible for implementing the disclosure policies and procedures which are in compliance with the disclosure requirements as set out in Bursa Malaysia Listing Requirements. All corporate announcements to Bursa Malaysia have to be vetted by the Executive Directors and circulated to other board members for approval before announcements are made.

The Company also has established a corporate website at www.npc.com.my for dissemination of corporate information.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

The Group always practices the culture of continuous, timely and equal dissemination of material information with shareholders, stakeholders, and regulators through practicable and legitimate channels. Its commitment, both in principle and practice, is to ensure transparency consistent with good corporate governance, except where commercial confidentiality dictates otherwise.

8.1 Annual General Meetings ("AGM")

The Board understands that the AGM is the principal forum for dialogue with shareholders. Hence opportunities will be made for shareholders to raise questions pertaining to the business activities of the Group. Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved. In respect of re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

Shareholders are encouraged to post questions and to seek clarifications in relation to general meetings' agenda by way of posting the enquiries through our Contact section of our corporate website before the commencement of the general meetings. These enquiries will be read out and answered at the general meetings. At the commencement of the general meetings, the chairman of the meetings will inform shareholders of their right to demand a poll vote for each agenda. Answers to the enquiries will also be posted on the corporate website as soon as practicable after the general meetings.

8.2 Annual Report

The Company and the Group have consistently been able to publish its Annual Reports in a timely manner. The Notice of AGM is circulated at least 21 days before the date of the meeting to enable shareholders to thoroughly review the Annual Report which contains comprehensive reports on the Group's financial performance, directions and insights.

Printed full version of the Annual Report is published and posted to shareholders. The full version of the Annual Report is also available on our corporate website, www.npc.com.my.

8.3 Investor Relations

The Board believes in clear and regular communication with its shareholders and institutional investors. Besides the various announcements made during the financial year and release of financial results on a quarterly basis, the Board anticipates through its Fifteenth Annual Report to provide shareholders with an overview of the Group's performance and its business activities.

The Board recognises the importance of timely and equal dissemination of information to shareholders. As such, it strictly adheres to the disclosure requirements of the Bursa Malaysia.

To provide regular research coverage of the Company to existing and prospective investors, the Company is a participating company in the CMDF – Bursa Research Scheme.

COMPLIANCE STATEMENT

The Group had substantially complied with the relevant Principles and Recommendations of the MCCG 2012 as at date of this statement except those which have been stated otherwise with justifications and mitigation steps taken to address the non-compliance.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 3 April 2017.

ADDITIONAL COMPLIANCE INFORMATION

The following additional information is provided in compliance with the Listing Requirement of the Bursa Malaysia:-

1. Utilisation of Proceeds Raised From Corporate Proposals

The total gross proceeds of RM47,500,000.00 received from the Proposed Disposals by NPC for the disposal of a wholly-owned subsidiary and Agrisa Trading Sdn. Bhd. ("ATSB") of a parcel of agricultural land are utilized in the following manner:

	Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Deviation (RM'000)	%
i.	Repayment of Overdraft/ Revolving credits/Loans	24,500	24,500	Within 1 year	-	-
ii.	Future working capital	23,000	23,000	Within 1 year	-	-
	Total	47,500	47,500			

2. Share Buybacks

During the financial year, a total of 1,247,400 ordinary shares were purchased and retained as Treasury Shares. The details of the Company's Share Buy Back exercise for the financial year ended 31 December 2016 are as follows:

Month	No. of shares Purchased and Retained as Treasury Shares	Purchase Price Per Share (RM)		Average Cost Per Share (RM)*	Total Cost (RM)
		Lowest	Highest		
December	1,247,400	2.18	2.35	2.34	2,922,896
	1,247,400				2,922,896

** Inclusive of transaction charges*

As at 31 December 2016, the cumulative total number of shares held as Treasury Shares was 1,517,100. None of the Treasury Shares were resold or cancelled during the financial year.

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

3. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued during the financial year.

4. American Deposit Receipt ('ADR') or Global Deposit Receipt ('GDR') Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

5. Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant authorities.

6. Audit and Non-Audit Fees

i. The amount of audit fees paid/payable to the external auditors for services rendered to the Company and the Group for the year is RM60,000 and RM351,800 respectively.

ii. The amount of non-audit fees paid/payable to the auditors for the year is RM129,300.

7. Profit Estimate, Forecast or Projection

No material variance arose between the audited results for the financial year and the unaudited results previously announced. There were no profit estimate, forecast or projection for the financial year ended 31 December 2016.

8. Profit Guarantee

During the financial year, there were no profit guarantee given by the Company.

9. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries which involve Directors' and major shareholders' interest either still subsisting at the end of the financial year.

10. Recurrent Related Party Transactions

The details of the related party transactions are set out in note 33 to the financial statements.

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee and their respective designations are as follows:-

NAME	DESIGNATION	DIRECTORSHIP
(a) Lim Ted Hing	Chairman	Independent Non-Executive Director
(b) Dr. Edmond Fernandez	Member	Independent Non-Executive Director
(c) Tan Sri Dato' Sri Koh Kin Lip, JP	Member	Non-Independent Non-Executive Director

The Audit Committee was formed by the Board of Directors on 19 March 2002.

The Chairman of the Audit Committee, Mr. Lim Ted Hing is a Chartered Accountant with the Malaysian Institute of Accountants (MIA).

The Company has complied with the Malaysian Code of Corporate Governance 2012 and Paragraph 15.10 of the Bursa Malaysia Listing Requirements which require that all members of the audit committee should be non-executive directors.

Terms of reference

The Audit Committee is governed by the following terms of reference:

1. Composition of the audit committee

The Audit Committee shall be appointed by the Board of Directors from among their numbers and shall comprise at least three directors, all must be non-executive directors with a majority of them shall be independent of other fellow directors, substantial shareholders, senior management and operating executives and unencumbered by any relationships that might, in the opinion of the Board of Directors, be considered conflict of interest. The members of the Audit Committee shall elect a chairman from among themselves who shall be an independent director.

All members of the audit committee should be financially literate and at least one member of the audit committee:-

(a) must be a member of the Malaysian Institute of Accountants (MIA); or
(b) if he is not a member of the MIA, he must have at least 3 years' working experience and:-

(i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
(ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
(iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia.

No alternate director shall be appointed as a member of the audit committee.

AUDIT COMMITTEE REPORT (cont'd)

2. Authority

The Audit Committee is authorised by the Board of Directors to:

(a) investigate any activities within its terms of reference;
(b) have the resources required to perform its duties;
(c) have full and unrestricted access to any information and documents relevant to its activities;
(d) have direct communication channels with the internal and external auditors and senior management of the Group;
(e) be able to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
(f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

3. Duties

The duties of the Committee should include the following:

(a) to recommend the nomination of a person or persons as external auditors, and to consider the audit fee and any questions of re-appointment, resignation or dismissal of external auditors;
(b) to assess the suitability and independence of external auditors by reviewing the terms of engagement for the services rendered by them;
(c) to discuss with the external auditors before audit commences, the nature and scope of the audit contained in the audit plan, and ensure coordination where more than one audit firm is involved;
(d) to review the assistance given by the Company and its officers to the external and internal auditors;
(e) to review the adequacy and the integrity of the Group's internal control systems and management information systems;
(f) to review the quarterly and year-end financial statements of the Company prior to the approval by the Board; focusing particularly on:

    (i) any changes in or implementation of major accounting policies and practices;
    (ii) significant and unusual events;
    (iii) significant adjustments arising from the audit;
    (iv) the going concern assumption; and
    (v) compliance with applicable Financial Reporting Standards in Malaysia and other legal requirements;

(g) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
(h) to review the external auditors' audit report, management letter and management's response;
(i) to perform the following in respect of the internal audit function:

    (i) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
    (ii) review the internal audit program, processes and results of the internal audit program, process or investigation undertaken and where necessary ensure that appropriate actions taken on the recommendations of the internal auditors;
    (iii) review any appraisal or assessment of the performance of the internal audit function;
    (iv) approve any appointment or termination of internal auditors; and
    (v) inform itself of resignation of internal auditors and provide the resigning internal auditors an opportunity to submit reasons for resigning;

AUDIT COMMITTEE REPORT (cont'd)

3. Duties (cont'd)

(j) to consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
(k) to consider the major findings of internal investigations and management's response; and
(l) to report the above to the Board and consider other topics as defined by the Board.

4. Quorum and procedures for meetings

The Audit Committee meetings shall not be less than four times a year. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Representatives of external auditors may be required to be in attendance at meetings where matters relating to the audit of the statutory accounts are to be discussed. However, at least twice a year, the Audit Committee shall meet with the external auditors without any executive Board Members present, if deemed necessary.

The Committee shall meet at least once annually with the internal auditors to discuss the internal audit findings for the financial year without any executive Board Members present, if deemed necessary.

Other appropriate officers of the Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Chairman of the Audit Committee.

The quorum for the meeting shall be any two members, one of whom shall be an independent director.

The Company Secretaries shall be Secretaries to the Audit Committee. The Secretaries in conjunction with the Chairman, shall draw up agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee. The Audit Committee Chairman shall report on each meeting to the Board of Directors.

5. Retirement and resignation

In the event of any vacancy in an audit committee resulting in the non-compliance of subparagraphs 15.10(1) of Bursa Malaysia Listing Requirements, the vacancy must be filled within 3 months.

6. Review of the audit committee

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

AUDIT COMMITTEE REPORT (cont'd)

INTERNAL AUDIT

The Company has outsourced its internal audit function to an independent accounting firm, which reports directly to the Audit Committee. During the financial year, the Company has also set up an in-house internal audit team to ensure that the internal control of the operations in Indonesia is in place. The in-house internal audit team also reports directly to the Audit Committee. The main activities undertaken by the internal auditors during the financial year are as follow:

(a) to review the key internal controls relating to estates and mill's payroll system;
(b) to review the key internal controls relating to fresh fruit bunches (FFB) receipt system and quality control;
(c) to review the key internal controls relating to crude palm oil (CPO) and palm kernel (PK) despatch control procedure, CPO & PK stocks, accuracy of records and sounding test;
(d) to review the key internal controls relating to control and monitoring of oil losses procedure.
(e) to review the key internal controls relating to the vehicle cost centre system; and
(f) to report the findings and recommendations from the above review to the Audit Committee.

The results of the internal audit function are set out in the Statement on Risk Management and Internal Control.

MEETINGS AND SUMMARY OF ACTIVITIES

The Committee had held five meetings during the financial year. The attendance record of the Audit Committee members in each of the meetings is as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
Lim Ted Hing	5	5
Dr. Edmond Fernandez	5	5
Tan Sri Dato' Sri Koh Kin Lip, JP	5	5

The main activities undertaken by the Committee were as follows:

(a) reviewed the unaudited Quarterly Financial Results of the Group and its disclosure requirements before recommending them for the Board's approval;
(b) reviewed the year end financial statements of the Company prior to submission to the Board for their consideration and approval. This review was to ensure that the financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards in Malaysia;
(c) reviewed each quarter's related party transactions and report the same to the Board;
(d) reviewed the audit plans and audit engagement letter presented by the external auditors; and
(e) reviewed the internal audit program, processes and results of the internal audit processes.

Details of training attended by the Audit Committee members are disclosed on page 24 of the Statement on Corporate Governance.

This Audit Committee Report is made in accordance with the resolution of the Audit Committee dated 3 April 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Responsibility

The Board recognises that it is responsible for the Group's system of risk management and internal control and for reviewing its adequacy and effectiveness.

The Board confirms that there is an ongoing process of identifying, evaluating and managing the significant risks faced by the Group which are present throughout the financial year under review and up to date of approval of the annual report and financial statements. This is in accordance with the guidance as contained in the publication – Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

As with any internal control system, controls can only provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Risk Management Framework and Control Self-Assessment

The Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. The risk management framework has been formalised in compliance with Bursa Malaysia Listing Requirements with emphasis on compliance with the Corporate Governance and Internal Control. The Board reviews the risk management framework annually and the management has been entrusted to continuously monitor the identified principal risks of the Group, evaluate existing controls and formulate the necessary action plans with its respective process owners. The Executive Directors are tasked with the responsibility of continuous monitoring and reviewing strategic directions and significant operational matters of the Group.

Other Key Elements of Internal Control

Scheduled meetings at head office and operation sites were held to identify, discuss and resolve business and operational issues. The Board was aware of, and involved in, when necessary in resolving any significant issues identified at those meetings. The Executive Directors are actively involved in the day-to-day operations of the Group.

The Group has a clear management structure that clearly defines lines of accountability and delegated authority. There is also proper segregation of duties to ensure safe custody of the Group's assets. The Group's organisation chart includes the Management Committee, headed by the Group Managing Director. The Management Committee meets monthly at head office or operation sites to discuss and review the Group's operations and ensures that they are carried out in accordance with the standards set and expected by the Board. There is a structured and formal employee appraisal system that ensures employees are remunerated based on their performance.

The Board has reviewed the Group's budget for the current financial year. The budgeting process includes the preparation of budgets by individual operating units, which are approved at management level and ultimately by the Board. Actual performance and results are monitored against budgets, with reasons for significant variances identified and highlighted to management and the Board for the appropriate corrective measures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Internal Audit Function

The Board remains committed towards continuous improvement and enhancement of its internal controls to ensure that there is increased certainty of the achievement of business objectives, thus enhancing the shareholders' value.

The Group has outsourced its Internal Audit function to an independent accounting firm, which reports directly to the Audit Committee. The internal audit was carried out based on the Internal Audit plan that was reviewed by the Audit Committee and approved by the Board of Directors. The amount of internal audit fees payable to the internal auditors for the year is RM13,000.

During the financial year, the Group has also set up an in-house internal audit team to ensure that the internal control of the operations in Indonesia is in place. The in-house internal audit team also reports directly to the Audit Committee.

The risk based internal audit approach has examined, evaluated and ensured compliance with the Group's policies, procedures and system of internal controls. It has also evaluated the effectiveness of the internal control system and assessed the consequences of any potential risks and suggested any improvements required.

Adequacy and Effectiveness of the Group's Risk Management and Internal Control System

A number of minor internal control weaknesses were identified during the year, all of which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a disclosure in the Group's Annual Report. The board has received the assurance from the Group Managing Director and Chief Financial Officer of the Group that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on risk management and internal control system of the Group. The board confirms that its system of risk management and internal control was operational throughout the financial year and up to the date of approval of the Annual Report.

Review of Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the year ended 31 December 2016 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal controls within the Group.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 14 April 2017.

NPC Resources Berhad

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 19 to the financial statements.

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

Results

	Group RM'000	Company RM'000
Profit net of tax	50,213	39,923
Profit/(loss) attributable to:		
Equity holders of the parent	50,555	39,923
Non-controlling interests	(342)	-
	50,213	39,923

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, except as disclosed in Notes 6 and 8 to the financial statements.

Dividends

(a) The amounts of dividends paid by the Company since 31 December 2015 were as follows:

	RM'000
In respect of the financial year ended 31 December 2015 as reported in the Directors' report of that year:	
Final single tier dividend of 1 sen per ordinary share, on 119,730,300 ordinary shares (excluding 269,700 treasury shares), approved by the shareholders at the Annual General Meeting on 26 May 2016 and paid on 5 August 2016	1,197

(b) At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 December 2016 of 1 sen per ordinary share on 116,891,700 ordinary shares (excluding 3,108,300 treasury shares), amounting to a dividend payable of RM1,168,917 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

DIRECTORS' REPORT (cont'd)

Directors

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

Loo Ngin Kong
Dato' Seri Tengku Dr Zainal Adlin Bin Tengku Mahamood
Dato' Loo Pang Kee
Wong Siew Ying
Lim Ted Hing
Dr. Edmond Fernandez
Tan Sri Dato' Sri Koh Kin Lip, JP
Tan Vun Su

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 10 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 the Director is a member, or with a company in which the Director 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 in the Company during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	1.1.2016	**Acquired**	**Sold**	**31.12.2016**
The Company				
Direct Interest:				
Loo Ngin Kong	7,961,724	-	(500,000)	7,461,724
Dato' Seri Tengku Dr Zainal Adlin Bin Tengku Mahamood	1	-	-	1
Dato' Loo Pang Kee	10,206,906	-	-	10,206,906
Wong Siew Ying	2,972,684	-	(500,000)	2,472,684
Lim Ted Hing	804,000	-	-	804,000
Dr. Edmond Fernandez	150,000	-	-	150,000
Tan Sri Dato' Sri Koh Kin Lip, JP	19,783,344	-	-	19,783,344
Tan Vun Su	1	-	-	1

DIRECTORS' REPORT (cont'd)

Directors' interests (cont'd)

	Number of ordinary shares of RM1 each			
	1.1.2016	**Acquired**	**Sold**	**31.12.2016**
Indirect Interest:				
Dato' Loo Pang Kee	38,400,000	-	-	38,400,000
Wong Siew Ying	38,400,000	-	-	38,400,000
Tan Sri Dato' Sri Koh Kin Lip, JP	2,817,350	-	-	2,817,350
Indirect interest of Loo Ngin Kong and Wong Siew Ying in the Company by virtue of shareholdings of their children	6,433,500	-	(483,500)	5,950,000
Indirect interest of Tan Sri Dato' Sri Koh Kin Lip, JP in the Company by virtue of shareholding of his child	70,000	-	-	70,000

The Directors, Loo Ngin Kong, Dato' Loo Pang Kee, Wong Siew Ying and Tan Sri Dato' Sri Koh Kin Lip, JP by virtue of their interests in shares in the Company, are also deemed to have interest in shares in all of the Company's subsidiaries to the extent the Company has an interest.

Treasury shares

During the financial year, the Company repurchased 1,247,400 of its issued ordinary shares from the open market at an average price of RM2.34 per share. The total consideration paid for the repurchase including transaction costs was RM2,922,896. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. Further relevant details are disclosed in Note 29(b) to the financial statements.

Other statutory information

(a) Before the statements of 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 there were no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values 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) it necessary to write off any 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.

DIRECTORS' REPORT (cont'd)

Other statutory information (cont'd)

(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

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 38 to the financial statements.

Events after the reporting date

Details of the completion of the disposal of entire equity interest in a subsidiary and a parcel of agricultural land subsequent to year end are disclosed in Note 24 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 14 April 2017.

Dato' Loo Pang Kee **Wong Siew Ying**

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Loo Pang Kee and Wong Siew Ying, being two of the Directors of NPC Resources Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 45 to 138 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 40 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 14 April 2017.

Dato' Loo Pang Kee

Wong Siew Ying

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Tan Vun Su, being the Director primarily responsible for the financial management of NPC Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 45 to 139 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 Tan Vun Su at
Sandakan in the State of Sabah
on 14 April 2017

Tan Vun Su

Before me,

Ramsah Binti HJ. Mohd. Taha
No. S-029
Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NPC RESOURCES BERHAD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NPC Resources Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of 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 45 to 138 .

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 *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 *Auditors' 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.

1. Biological assets - Capitalisation of cost

   Refer to Notes 17 to the financial statements.

   During the current financial year ended 31 December 2016, the Company capitalised a total of new planting expenditure of RM43.6 million as its biological assets. Due to the significance of the expenditure incurred, we consider this to be an area of focus. We focused our audit efforts to determine whether the capitalisation of new planting expenditure was made in accordance with the Group's policy and whether any expenditure incurred ought to be expensed to the profit or loss.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NPC RESOURCES BERHAD (cont'd)

Report on the audit of the financial statements (cont'd)

Key audit matters (cont'd)

1. Biological assets - Capitalisation of cost (cont'd)

   Our audit procedures to address this area of focus included amongst others, testing the effectiveness of the internal controls at estate level in respect of recording of new planting expenditure, performing substantive procedures by inspecting documents such as contracts with suppliers or supplier invoices to support the expenditure incurred such as land clearing, seedling, labour and manuring costs; and testing whether the expenditure incurred on matured plantations were appropriately expensed to the profit or loss.

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, Notice of Annual General Meeting, Corporate Information, Directors' Profile, Chairman's Statement, Statement of Management Discussion and Analysis, Statement on Corporate Governance, Additional Compliance Information, Audit Committee Report, Statement on Risk Management and Internal Control, Shareholdings Statistics and List of Properties, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NPC RESOURCES BERHAD (cont'd)

Report on the audit of the financial statements (cont'd)

Auditors' responsibilities for the audit of the financial statements (cont'd)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NPC RESOURCES BERHAD (cont'd)

Report on other legal and regulatory requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 19 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 40 on page 139 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young	**Ng Kim Ling**
AF: 0039	No. 3236/04/18(J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
14 April 2017

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	4	287,532	317,758	9,128	8,586
Cost of sales		(250,345)	(267,841)	-	-
Gross profit		37,187	49,917	9,128	8,586
Other items of income					
Interest income	5	7,628	795	29,669	20,236
Other income	6	56,336	3,066	25,827	20,524
Other items of expense					
Marketing and distribution expenses		(20,804)	(24,736)	-	-
Administrative expenses		(14,670)	(14,708)	(8,560)	(8,218)
Finance costs	7	(8,674)	(2,549)	(15,793)	(13,741)
Other expenses		(1,982)	(20,206)	-	-
Profit/(loss) before tax	8	55,021	(8,421)	40,271	27,387
Income tax expense	11	(4,808)	(4,712)	(348)	(249)
Profit/(loss) net of tax		50,213	(13,133)	39,923	27,138
Other comprehensive income/(loss)					
Item that will not be reclassified subsequently to profit or loss:					
Remeasurement of gain on employee defined benefit liabilities	27	(71)	3	-	-
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translation		22,813	27,906	-	-
Other comprehensive income for the year, net of tax		22,742	27,909	-	-
Total comprehensive income for the year		72,955	14,776	39,923	27,138

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Profit/(loss) attributable to:					
Equity holders of the parent		50,555	(13,423)	39,923	27,138
Non-controlling interests		(342)	290	-	-
		50,213	(13,133)	39,923	27,138
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		73,399	14,784	39,923	27,138
Non-controlling interests		(444)	(8)	-	-
		72,955	14,776	39,923	27,138
Earnings/(loss) per share attributable to equity holders of the parent:					
Basic earnings/(loss) per share for the year (sen)	12	42.25	(11.21)		

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
ASSETS			
Non-current assets			
Property, plant and equipment	14	264,161	274,365
Investment property	15	1,097	1,137
Land use rights	16	30,492	30,749
Biological assets	17	352,716	298,538
Intangible asset	18	4,932	4,932
Investment securities	20	1,759	1,759
Other receivables	22	151,991	116,932
Deferred tax assets	28	382	398
		807,530	728,810
Current assets			
Inventories	21	16,366	25,637
Trade and other receivables	22	23,138	20,624
Prepayments		1,548	1,482
Tax recoverable		1,318	4,510
Cash and bank balances	23	14,723	8,043
		57,093	60,296
Assets of disposal group classified as held for sale	24	26,524	20,103
		83,617	80,399
TOTAL ASSETS		891,147	809,209
EQUITY AND LIABILITIES			
Current liabilities			
Loans and borrowings	25	164,703	173,655
Trade and other payables	26	44,144	76,994
Tax payable		1,634	464
		210,481	251,113
Liabilities directly associated with disposal group classified as held for sale	24	24,418	-
		234,899	251,113
Net current liabilities		(151,282)	(170,714)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (cont'd)

	Note	2016 RM'000	2015 RM'000
EQUITY AND LIABILITIES (cont'd)			
Non-current liabilities			
Loans and borrowings	25	182,974	214,556
Other payables	26	68,132	-
Employee defined benefit liabilities	27	723	421
Deferred tax liabilities	28	31,028	35,737
		282,857	250,714
Total liabilities		517,756	501,827
Net assets		373,391	307,382
Equity attributable to equity holders of the parent			
Share capital	29	120,000	120,000
Treasury shares	29	(3,678)	(755)
Retained earnings	30	226,873	181,799
Foreign currency translation reserve	31	28,292	5,448
		371,487	306,492
Non-controlling interests		1,904	890
Total equity		373,391	307,382
TOTAL EQUITY AND LIABILITIES		891,147	809,209

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	2016 RM'000	2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	769	784
Investments in subsidiaries	19	686,525	645,593
Other receivables	22	48,934	22,547
Deferred tax assets	28	-	217
		736,228	669,141
Current assets			
Trade and other receivables	22	93	134
Prepayment		737	-
Tax recoverable		619	691
Cash and bank balances	23	7,374	2,607
		8,823	3,432
Non-current assets held for sale	24	14,397	-
		23,220	3,432
TOTAL ASSETS		759,448	672,573
EQUITY AND LIABILITIES			
Current liabilities			
Loans and borrowings	25	116,655	131,662
Trade and other payables	26	298,197	206,824
		414,852	338,486
Net current liabilities		(391,632)	(335,054)
Non-current liabilities			
Loans and borrowings	25	150,417	175,765
Deferred tax liabilities	28	54	-
		150,471	175,765
Total liabilities		565,323	514,251
Net assets		194,125	158,322
Equity attributable to equity holders of the parent			
Share capital	29	120,000	120,000
Treasury shares	29	(3,678)	(755)
Retained earnings	30	77,803	39,077
Total equity		194,125	158,322
TOTAL EQUITY AND LIABILITIES		759,448	672,573

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

Group	Note	Equity, total RM'000	Equity attributable to equity holders of the parent RM'000	Attributable to equity holders of the parent — Non-distributable: Share capital (Note 29) RM'000	Non-distributable: Treasury shares (Note 29) RM'000	Non-distributable: Foreign currency translation reserve (Note 31) RM'000	Distributable: Retained earnings (Note 30) RM'000	Non-controlling interests RM'000
2016								
Opening balance at 1 January 2016		307,382	306,492	120,000	(755)	5,448	181,799	890
Profit/(loss) net of tax		50,213	50,555	-	-	-	50,555	(342)
Other comprehensive income/(loss)		22,742	22,844	-	-	22,844	-	(102)
Total comprehensive income/(loss)		72,955	73,399	-	-	22,844	50,555	(444)
Transactions with owners								
Acquisition of non-controlling interest		(2,826)	(4,284)	-	-	-	(4,284)	1,458
Dividends	13	(1,197)	(1,197)	-	-	-	(1,197)	-
Purchase of treasury shares	29	(2,923)	(2,923)	-	(2,923)	-	-	-
Total transactions with owners		(6,946)	(8,404)	-	(2,923)	-	(5,481)	1,458
Closing balance at 31 December 2016		373,391	371,487	120,000	(3,678)	28,292	226,873	1,904

			← Attributable to equity holders of the parent →					
				← Non-distributable		→	Distributable	
Group (cont'd)	**Note**	**Equity, total RM'000**	**Equity attributable to equity holders of the parent RM'000**	**Share capital (Note 29) RM'000**	**Treasury shares (Note 29) RM'000**	**Foreign currency translation reserve (Note 31) RM'000**	**Retained earnings (Note 30) RM'000**	**Non-controlling interests RM'000**
2015								
Opening balance at 1 January 2015		294,316	293,837	120,000	(242)	(22,759)	196,838	479
(Loss)/profit net of tax		(13,133)	(13,423)	-	-	-	(13,423)	290
Other comprehensive income/(loss)		27,909	28,207	-	-	28,207	-	(298)
Total comprehensive income/(loss)		14,776	14,784	-	-	28,207	(13,423)	(8)
Transactions with owners								
Acquisition of non-controlling interest		-	(419)	-	-	-	(419)	419
Dividends	13	(1,197)	(1,197)	-	-	-	(1,197)	-
Purchase of treasury shares	29	(513)	(513)	-	(513)	-	-	-
Total transactions with owners		(1,710)	(2,129)	-	(513)	-	(1,616)	419
Closing balance at 31 December 2015		307,382	306,492	120,000	(755)	5,448	181,799	890

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

	Note	Equity, total RM'000	← Non-distributable → Share capital (Note 29) RM'000	Treasury shares (Note 29) RM'000	Distributable Retained earnings (Note 30) RM'000
Company					
2016					
Opening balance at 1 January 2016		158,322	120,000	(755)	39,077
Total comprehensive income		39,923	-	-	39,923
Transactions with owners					
Dividends	13	(1,197)	-	-	(1,197)
Purchase of treasury shares	29	(2,923)	-	(2,923)	-
Total transactions with owners		(4,120)	-	(2,923)	(1,197)
Closing balance at 31 December 2016		194,125	120,000	(3,678)	77,803
2015					
Opening balance at 1 January 2015		132,894	120,000	(242)	13,136
Total comprehensive income		27,138	-	-	27,138
Transactions with owners					
Dividends	13	(1,197)	-	-	(1,197)
Purchase of treasury shares	29	(513)	-	(513)	-
Total transactions with owners		(1,710)	-	(513)	(1,197)
Closing balance at 31 December 2015		158,322	120,000	(755)	39,077

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 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Operating activities					
Profit/(loss) before tax		55,021	(8,421)	40,271	27,387
Adjustments for:					
Interest income	5	(7,628)	(795)	(29,669)	(20,236)
Impairment loss on other receivables	8	517	7,783	-	-
Impairment loss on trade receivables	8	1	11	-	-
Impairment loss on land use rights	8	1,156	-	-	-
Provision for retirement benefits		334	(64)	-	-
Property, plant and equipment written off	8	186	521	-	-
Gain on disposal of property, plant and equipment	6	(53,305)	(426)	-	-
Finance costs	7	8,674	2,549	15,793	13,741
Amortisation of land use rights	8	475	137	-	-
Amortisation of biological assets	8	-	2	-	-
Depreciation of property, plant and equipment	8	13,576	11,917	77	71
Depreciation of investment property	8	40	40	-	-
Net unrealised (gain)/loss on foreign exchange	8	(11)	12,878	(25,827)	(20,522)
Total adjustments		(35,985)	34,553	(39,626)	(26,946)
Operating cash flows before changes in working capital		19,036	26,132	645	441
Changes in working capital:					
Biological assets		-	1,292	-	-
Inventories		4,497	(4,525)	-	-
Trade and other receivables		(9,917)	(2,777)	41	(118)
Prepayments		(66)	(211)	(737)	-
Trade and other payables		46,471	28,978	4,292	(215)
Total changes in working capital		40,985	22,757	3,596	(333)
Cash flows generated from operations		60,021	48,889	4,241	108
Interest received	5	7,628	795	29,669	20,236
Income taxes (paid)/refunded		(3,578)	(6,605)	(5)	1,313
Interest paid		(23,596)	(2,549)	(15,793)	(13,361)
Net cash flows generated from operating activities		40,475	40,530	18,112	8,296

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Investing activities					
Additional (placement)/uplift of fixed deposits		(100)	6,050	-	-
Additions in other investments		(32,972)	(76,213)	(26,387)	-
Advances to subsidiaries		-	-	(29,395)	-
Acquisition of non-controlling interest		(2,826)	-	-	-
Purchase of property, plant and equipment	14	(16,061)	(27,219)	(62)	(61)
Additions in land use rights	16	(424)	(3,712)	-	-
Additions in biological assets		(25,547)	(59,538)	-	-
Proceeds from disposal of property, plant and equipment		73,508	3,204	-	-
Proceeds from disposal of biological assets		-	391	-	-
Net cash flows used in investing activities		(4,422)	(157,037)	(55,844)	(61)
Financing activities					
Net advances/(repayments) of amounts due to subsidiaries		-	-	87,081	(97,644)
Purchase of treasury shares		(2,923)	(513)	(2,923)	(513)
Dividends paid		(1,197)	(1,197)	(1,197)	(1,197)
Proceeds from drawdown of term loans		9,500	93,816	9,500	93,000
Repayment of bank loans		(34,094)	(27,635)	(36,464)	(25,249)
Net proceeds from drawdown/(repayment) of revolving credits		483	18,834	(14,562)	18,489
Net (repayment)/proceeds from drawdown of bankers' acceptances		(2,444)	255	-	-
Repayment of hire purchase liabilities		(1,530)	(1,375)	-	-
Net cash flows (used in)/generated from financing activities		(32,205)	82,185	41,435	(13,114)
Net increase/(decrease) in cash and cash equivalents		3,848	(34,322)	3,703	(4,879)
Effect of exchange rate changes on cash and cash equivalents		5,637	9,738	1,103	-
Cash and cash equivalents at beginning of year		(3,299)	21,285	2,568	7,447
Cash and cash equivalents at end of year	23	6,186	(3,299)	7,374	2,568

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

NPC Resources Berhad ("the Company") is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 19.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2016 as described fully in Note 2.2.

The financial statements have been prepared on a 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 FRSs 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.2 Changes in accounting policies (cont'd)

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.

These amendments do not have any impact to the Group or the Company as the Group and the Company have not used a revenue-based method to depreciate its non-current assets.

(b) Amendments to FRS 11: 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.

(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. These amendments do not have any impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.2 Changes in accounting policies (cont'd)

(d) Amendments to FRS 101: Disclosure Initiative

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

These amendments do not have any 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.

These amendments do not have any impact on the Group's and the Company's financial statements.

(f) FRS 14: Regulatory Deferral Accounts

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

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.2 Changes in accounting policies (cont'd)

(g) Annual Improvements to FRSs 2012–2014 Cycle (cont'd)

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.

2.3 Standards issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Group's and of 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**
Annual Improvements to FRSs 2014-2016 Cycle	1 January 2017
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 140: Transfers of Investment Property	1 January 2018
FRS 9: Financial Instruments	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

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

(a) Amendments to FRS 107: Disclosure Initiative

The amendments to FRS 107 Statement of Cash Flows require 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.

(c) Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments to FRS 2 address three main areas:

(i) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;

(ii) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and

(iii) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. These amendments are not expected to have any impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

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

(d) FRS 140: Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

Retrospective application in accordance with FRS 108 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The amendments will eliminate diversity in practice.

(e) FRS 9: Financial Instruments

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's and of the Company's financial assets, but no impact on the classification and measurement of the Groups' and of the Company's financial liabilities.

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

The amendments clarify that:

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

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

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").

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

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

Malaysian Financial Reporting Standards ("MFRS Framework") (cont'd)

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including their parent, significant investor and venturer ("Transitioning Entities").

Transitioning Entities are allowed to defer adoption of the new MFRS Framework until the MFRS Framework becomes mandatory for the Transitioning Entities for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group and the Company, 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 their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

At the date of these financial statements, the Group and the Company have not completed their quantification of the financial effects of the differences between FRS 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.

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

Description	**Effective for annual periods beginning on or after**
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 16: Leases	1 January 2019

MFRS 15: Revenue from Contracts with Customers

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

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

MFRS 15: Revenue from Contracts with Customers (cont'd)

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group and the Company are currently assessing the impact of MFRS 15 and plan to adopt the new standard on the required effective date.

MFRS 16: Leases

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

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

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

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

2.4 Basis of consolidation

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.4 Basis of consolidation (cont'd)

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 statements 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 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.

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.

Business combinations

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

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

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 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the profit or loss.

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 procedure 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.

The accounting policy for goodwill is set out in Note 2.10.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.5 Subsidiaries

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

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

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

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to equity holders of the parent.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.7 Foreign currency (cont'd)

(b) Foreign currency transactions (cont'd)

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.

(c) Foreign operations

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

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

2.8 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.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group 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 property, 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.

Long term leasehold land and its related plantation and fishery infrastructure development expenditure are amortised over the respective leases which range from 48 years to 889 years.

Capital work-in-progress is not depreciated as these assets are not yet available for use.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.8 Property, plant and equipment (cont'd)

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2% - 10%
Mill structure	5%
Plantation infrastructure development expenditure on short term leasehold land	Over remaining lease term of land
Oil mill and estate plant and machinery	8% - 20%
Heavy equipment	8% - 20%
Motor vehicles	8% - 20%
Furniture, fittings and equipment	10% - 20%
Platforms, net cages and water tanks	10% - 20%
Hotel and office renovations	2% - 10%
Hotel plant and machinery	10% - 20%

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.

2.9 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs less accumulated depreciation and any accumulated impairment loss.

Leasehold land is amortised over the lease period of 30 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its 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.

2.10 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.10 Intangible assets (cont'd)

Goodwill (cont'd)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.7.

2.11 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.

2.12 Biological assets

(a) Oil palm planting expenditure

New planting expenditure incurred on land clearing and upkeep of palms to maturity is stated at cost and capitalised under biological assets. A portion of the indirect overheads which include general and administrative expenses and interest expense incurred on immature plantation is similarly capitalised under biological assets until such time when the plantation attains maturity.

No amortisation is considered necessary on oil palm planting expenditure as its value is maintained through replanting programme. Replanting expenditure is recognised in the profit or loss in the year in which the expenditure is incurred.

(b) Broodstocks

All costs incurred on immature broodstocks which are accumulated on a project basis, are capitalised until such time when the broodstocks commence breeding. Costs incurred on immature broodstocks consist of the acquisition cost of the mother fish, cost of feeds and medication, direct labour cost and an appropriate proportion of farm operating overheads.

The costs of broodstocks are amortised over the economic egg production lives of 10 years.

Upon the disposal of broodstocks, the difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.12 Biological assets (cont'd)

(c) Fishery livestock

Fishery livestock is stated at cost. The cost includes the cost of feeds and medication, direct labour cost and an appropriate proportion of farm operating overheads accumulated on a project basis and is recognised in profit or loss upon disposal.

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 indication exists, or when an annual impairment testing 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 and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates 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 profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Initial recognition and measurement (cont'd)

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

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(iii) Held-to-maturity investments (cont'd)

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.14 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

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

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) 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 at fair value through profit or loss.

Financial liabilities classified as held for trading includes derivative financial instruments entered into by the Group and the Company that do not meet the hedge criteria.

Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables and loans and borrowings.

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

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.14 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Derecognition

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

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position, when and only when, 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.

2.15 Impairment of financial assets

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

(a) Trade and other receivables and other financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and the Company have first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine 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.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.15 Impairment of financial assets (cont'd)

(b) Unquoted equity securities carried at cost

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

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

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

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

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's and of the Company's cash management.

2.17 Inventories

Inventories are stated at lower of cost and net realisable value.

Cost of crude palm oil and milled oil palm produce are determined on the first in, first out method. The cost comprises direct material cost, direct labour cost, other direct charges and an appropriate proportion of factory overheads.

Cost of fresh fruit bunches, consumable stores, culverts, food, beverages, tobacco and operating supplies are determined on the weighted average cost method. The cost comprises the actual cost of purchases and expenses in bringing them into stores.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.17 Inventories (cont'd)

Cost of oil palm nurseries is determined using the weighted average cost method. The cost comprises the actual cost of seedlings and upkeep expenses.

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

2.18 Provisions

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

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

2.19 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantees contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group or the Company as the issuer, is required to reimburse the holder for the associated loss, 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 initially recognised less cumulative amortisation. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

At the reporting date, no value was placed on the financial contracts because there was no significant difference in the contract value with or without the guarantee, which the directors regard the value of the credit enhancement provided by the corporate guarantee as minimal.

2.20 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.21 Employee benefits

(a) Short term employee benefits

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

(b) Post-employment benefits

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefit plans are either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually dependent on one or more factors such as age, years of service or compensation.

(i) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian 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.

(ii) Defined benefit plans

The Indonesian subsidiaries of the Group recognise employee benefits liability based on the provisions of Labor Law No. 13/2003 dated March 25, 2003 in Indonesia.

The cost of providing benefits under the defined benefits plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group), are recognised immediately in the statements of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurement are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.21 Employee benefits (cont'd)

(b) Post-employment benefits (cont'd)

(ii) Defined benefit plans (cont'd)

Net interest is calculated by applying the discount rate to the net defined benefit liability or assets. The Group recognises the following changes in employee benefits under 'cost of sales', 'administration expenses' and 'marketing and distribution expenses' in the statements of comprehensive income (by function) or capitalised under biological assets in accordance with Note 2.12:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-rounding settlements; and
- Net interest expense or income.

2.22 Leases

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.23 Revenue

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

(a) Sale of fresh fruit bunches, crude palm oil, palm kernel and fishes

Revenue from sale of fresh fruit bunches, crude palm oil, palm kernel and fishes are recognised upon the transfer of significant risks and rewards of ownership to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.23 Revenue (cont'd)

(b) Management and transportation income

Revenue from management and transportation services is recognised when services are rendered.

(c) Dividend income

Dividend from subsidiaries is recognised when the Company's right to receive payment is established.

(d) Revenue from hotel operations

Revenue from room sales, sale of food and beverage are recognised net of sales taxes and discounts on an accrual basis.

(e) Sundry sales

Revenue from usage of telephone, laundry and other related services is recognised upon the rendering of services, net of sales taxes.

2.24 Taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

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

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

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

(c) Goods and Service Tax ("GST") and value-added tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of GST/VAT except:

- Where the GST/VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and

- Receivables and payables that are stated with the amount of GST/VAT included.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.25 Segment reporting

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

2.26 Share capital and share issuance expenses

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

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

2.27 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.28 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and subsequent gains or losses on remeasurement are recognised in profit or loss. Costs to sell are the incremental costs directly attributable to the sales, excluding the finance costs and income tax expense.

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

Property, plant and equipment is not depreciated or amortised once classified as held for sale.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.29 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when it is:

(i) Expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or
(iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

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

2.30 Fair value measurement

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

2.30 Fair value measurement (cont'd)

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:

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

3. Significant accounting judgements and estimates

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

Judgements made in applying accounting policies

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

Key sources of estimation uncertainty

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

(a) Useful lives of plant and equipment

The cost of plant and machinery of agriculture, fishery and hotel equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 12.5 years. These are common life expectancies applied in the plantation, fishery and hotel industries. 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 amounts of the Group's and of the Company's plant and equipment at the reporting date are disclosed in Note 14.

(b) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management 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. Further details of the carrying value, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

Key sources of estimation uncertainty (cont'd)

(c) Impairment of property, plant and equipment and biological assets

The Group assesses at each reporting date whether there is any indication of impairment on property, plant and equipment and biological assets. Where an indication of impairment exists, recoverable amount is assessed based on the higher of an asset's fair value less costs to sell or the estimated value in use of the property, plant and equipment and biological assets. During the financial year, there was an indication of impairment in a subsidiary, Sungai Ruku Oil Palm Plantation Sdn. Bhd. ("SROPP") as the subsidiary continues making loss.

The recoverable amount of property, plant and equipment in SROPP is determined based on fair value of SROPP with reference made to the Conditional Sale and Purchase Agreement entered into between the Company and Budaya Potensi Sdn. Bhd. as disclosed in Note 24 (b). As the fair value of said mill is higher than its carrying amount, no impairment is required. The carrying amount of the Company's property, plant and equipment as at 31 December 2016 is RM13,076,000 (2015: RM14,595,000).

(d) Deferred tax assets

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

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

The carrying values of deferred tax assets of the Group and of the Company at 31 December 2016 are disclosed in Note 28.

(e) Defined benefit plan

The cost of defined benefit pension plans and other post employment medical benefits as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. The net employee defined benefit liabilities of the Group as at 31 December 2016 is RM723,000 (2015: RM421,000). Further details are given in Note 27.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

(f) Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's loans and receivables at the reporting date is disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

Key sources of estimation uncertainty (cont'd)

(f) Impairment of loans and receivables (cont'd)

Included in the loans and receivables is payment of securities subscription of a foreign company amounted to RM136,095,000 (2015: RM104,089,000) as disclosed in Note 38(a). In view that the corporate proposals are on-going and are currently in the process of finalisation, management determines that no impairment is required in respect of this amount as at the reporting date.

4. Revenue

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of:				
- crude palm oil	216,095	247,404	-	-
- palm kernels	49,763	46,376	-	-
- fresh fruit bunches	14,273	15,226	-	-
- fishes	-	1,672	-	-
- rooms	5,620	3,381	-	-
- food and beverages	1,649	3,487	-	-
Hotel sundry sales	132	212	-	-
Management fees	-	-	9,128	8,586
	287,532	317,758	9,128	8,586

5. Interest income

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Interest on advances to subsidiaries	-	-	29,554	20,185
Interest on advances to a related company	7,413	-	-	-
Interest on fixed deposits	209	596	115	51
Others	6	199	-	-
	7,628	795	29,669	20,236

6. Other income

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Gain on disposal of property, plant and equipment	53,305	458	-	-
Realised gain on foreign exchange	392	2	-	-
Rental income	650	575	-	-
Sale of waste products	1,667	1,251	-	-
Unrealised gain on foreign exchange	59	136	25,827	20,522
Miscellaneous income	263	644	-	2
	56,336	3,066	25,827	20,524

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

7. Finance costs

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on:				
Advances from subsidiaries	-	-	1,179	1,021
Bankers' acceptances	233	228	-	-
Bank overdrafts	564	578	56	50
Bank loans	13,175	12,056	11,043	9,698
Obligations under finance leases	174	251	-	-
Revolving credits	4,588	3,901	3,469	2,929
Others	5,036	6,253	46	43
Total finance costs	23,770	23,267	15,793	13,741
Less: Interest capitalised in biological assets (Note 17(b))	(13,337)	(20,718)	-	-
Less: Interest allocation for Plasma Scheme	(1,759)	-	-	-
Finance cost recognised in profit or loss	8,674	2,549	15,793	13,741

8. Profit/(loss) before tax

In addition to the other items disclosed elsewhere in the financial statements, the following amounts have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amortisation of land use rights (Note 16)	475	137	-	-
Amortisation of biological assets (Note 17)	-	2	-	-
Auditors' remuneration:				
- current year	352	347	60	60
- overprovision in prior year	(23)	-	(1)	-
- other services	129	163	50	99
Depreciation of property, plant and equipment (Note 14)	13,576	11,917	77	71
Depreciation of investment property (Note 15)	40	40	-	-
Employee benefits expense (Note 9)	30,544	31,104	6,846	6,803
Non-executive Directors' remuneration (Note 10)	502	488	394	380

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

8. Profit/(loss) before tax (cont'd)

In addition to the other items disclosed elsewhere in the financial statements, the following amounts have been included in arriving at profit/(loss) before tax (cont'd):

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Impairment loss on trade receivables (Note 22(a))	1	11	-	-
Impairment loss on other receivables (Note 22(e))	517	7,783	-	-
Impairment on land use rights (Note 16)	1,156	-	-	-
Lease rental of land	476	614	-	-
Property, plant and equipment written off	186	521	-	-
Rental of premises	151	121	135	103
Unrealised loss on foreign exchange	48	12,878	-	-

9. Employee benefits expense

Salaries and wages	35,233	38,761	5,960	5,878
Contributions to defined contribution plans	1,980	1,910	864	905
Employee defined benefit liabilities (Note 27)	334	(64)	-	-
Social security contributions	125	130	22	20
	37,672	40,737	6,846	6,803
Capitalised in:				
- capital work-in-progress	(27)	(239)	-	-
- biological assets (Note 17(b))	(6,139)	(8,605)	-	-
- oil palm nurseries	(962)	(789)	-	-
Recognised in profit or loss	30,544	31,104	6,846	6,803

Included in employee benefits expense of the Group and of the Company are executive Directors' remuneration amounting to RM4,547,000 (2015: RM4,690,000) and RM4,547,000 (2015: RM4,646,000) respectively as further disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

10. Directors' remuneration

The details of remuneration received or receivable by Directors of the Group and Company during the year are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive Directors of the Company				
Salaries, bonus and other emoluments	4,507	4,606	4,507	4,606
Fees	40	40	40	40
	4,547	4,646	4,547	4,646
Executive Directors of a subsidiary				
Salaries, bonus and other emoluments	-	44	-	-
Total executive Directors' remuneration (excluding benefits-in-kind) (Note 9)	4,547	4,690	4,547	4,646
Benefits-in-kind	69	63	69	63
Total executive Directors' remuneration (including benefits-in-kind) (Note 33(b))	4,616	4,753	4,616	4,709
Non-executive Directors of the Company				
Allowances and other emoluments	354	340	354	340
Fees	40	40	40	40
Total non-executive Directors' remuneration	394	380	394	380
Non-executive Directors of a subsidiary				
Fees	108	108	-	-
Total non-executive Directors' remuneration (Note 8)	502	488	394	380
Total Directors' remuneration	5,118	5,241	5,010	5,089

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

10. Directors' remuneration (cont'd)

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**
Executive Directors:		
RM550,001 - RM600,000	1	1
RM650,001 - RM700,000	1	-
RM700,001 - RM750,000	-	1
RM1,000,001 - RM1,050,000	1	-
RM1,050,001 - RM1,100,000	-	1
RM2,300,001 - RM2,350,000	1	-
RM2,350,001 - RM2,400,000	-	1
Non-executive Directors:		
RM50,001 - RM100,000	1	1
RM100,001 - RM150,000	3	3

11. 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**
Statements of comprehensive income:				
Current income tax:				
Malaysian income tax	5,029	4,106	72	-
Malaysian real property gains tax	2,579	-	-	-
Underprovision in prior years	69	41	5	-
	7,677	4,147	77	-
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	(2,632)	482	152	90
Relating to reduction in tax rate	(30)	6	-	(11)
(Over)/underprovision in prior years	(207)	77	119	170
	(2,869)	565	271	249
Income tax expense recognised in profit or loss	4,808	4,712	348	249

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

11. Income tax expense (cont'd)

Reconciliation between tax expense and accounting profit/(loss)

The reconciliations between tax expense and the product of accounting profit/(loss) 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/(loss) before tax	55,021	(8,421)	40,271	27,387
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	13,205	(2,105)	9,665	6,847
Effect of reduction in tax rate	(30)	6	-	(11)
Effect of income not subject to tax	(6,522)	(4,549)	(12,641)	(12,700)
Effect of expenses not deductible for tax purposes	4,695	9,998	3,200	5,943
Effect of differences in tax rates in foreign jurisdictions	(155)	-	-	-
Effects of Malaysian real property gains tax	(10,873)	-	-	-
Deferred tax assets not recognised in respect of tax losses and unabsorbed capital allowances	4,626	1,272	-	-
Utilisation of previously unrecognised tax losses and capital allowances	-	(28)	-	-
(Over)/underprovision of deferred tax in prior years	(207)	77	119	170
Underprovision of income tax expense in prior years	69	41	5	-
Income tax expense recognised in profit or loss	4,808	4,712	348	249

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

The computation of deferred tax as at 31 December 2016 has reflected this change.

The corporate tax rate applicable to the Indonesian subsidiaries of the Group is 25% (2015: 25%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

11. Income tax expense (cont'd)

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Tax savings recognised during the financial year arising from:				
Utilisation of current year tax losses	37	1	-	-
Utilisation of tax losses brought forward	214	86	154	86

12. Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing profit/(loss) for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year. The following reflect the profit/(loss) and share data used in the computation of basic earnings per share for the years ended 31 December 2016 and 2015:

	Group	
	2016 RM'000	2015 RM'000
Profit/(loss) attributable to equity holders of the parent	50,555	(13,423)
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares in issue *	119,667	119,775
Basic earnings/(loss) per share for the year (sen)	42.25	(11.21)

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

(b) Diluted

The Group has no potential ordinary shares in issue as at the reporting date. Therefore, diluted earnings per share is the same as basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

13. Dividends

	Group and Company 2016 RM'000	2015 RM'000
Recognised during the financial year:		
In respect of the financial year ended 31 December 2015:		
Final single tier dividend of 1 sen per ordinary share, on 119,730,300 ordinary shares (excluding 269,700 treasury shares), approved by the shareholders at the Annual General Meeting on 26 May 2016 and paid on 5 August 2016	1,197	-
In respect of the financial year ended 31 December 2014:		
Final single tier dividend of 1 sen per ordinary share, on 119,730,300 ordinary shares (excluding 269,700 treasury shares), approved by the shareholders at the Annual General Meeting on 18 June 2015 and paid on 26 August 2015	-	1,197
	1,197	1,197
Proposed but not recognised as a liability as at 31 December:		
Final single tier dividend on ordinary shares, subject to shareholders' approval at the Annual General Meeting of 1 sen per ordinary share	1,169	1,197

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 December 2016 of 1 sen per ordinary share on 116,891,700 ordinary shares (excluding 3,108,300 treasury shares), amounting to a dividend payable of RM1,168,917 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

14. Property, plant and equipment

	Long term leasehold land, buildings and mill structure RM'000	Plantation and fishery infrastructure development expenditure RM'000	Oil mill and estate plant and machinery RM'000	Heavy equipment and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Platforms, net cages and water tanks RM'000	Hotel and office renovations RM'000	Hotel plant and machinery RM'000	Capital work-in-progress RM'000	Total RM'000
Group										
Cost										
At 1 January 2015	202,167	26,149	61,516	57,163	9,991	1,123	4,127	4,576	46,674	413,486
Additions	1,799	3,311	1,072	2,762	752	-	541	22	16,960	27,219
Disposals	(181)	(36)	(35)	(4,145)	(255)	(492)	-	-	(306)	(5,450)
Written off	(138)	-	(12)	(737)	(9)	-	-	-	(8,533)	(9,429)
Reclassifications	2,023	186	4,744	171	24	-	-	-	(7,148)	-
Transfer to non-current assets held for sale	(9,139)	(3,859)	-	-	-	-	-	-	-	(12,998)
Exchange differences	438	528	104	1,410	68	-	1	-	4,448	6,997
At 31 December 2015 and 1 January 2016	196,969	26,279	67,389	56,624	10,571	631	4,669	4,598	52,095	419,825
Additions	1,967	87	1,262	1,513	640	-	31	33	10,528	16,061
Disposals	-	-	-	(1,763)	(39)	-	-	-	(38)	(1,840)
Written off	(45)	-	-	(162)	(337)	-	(14)	-	(31)	(589)
Reclassifications	43,602	249	18,810	69	191	-	-	-	(62,921)	-
Transfer to non-current assets held for sale	(19,749)	(33)	(26,591)	(1,328)	(675)	-	-	-	-	(48,376)
Exchange differences	491	641	112	949	65	-	1	-	3,515	5,774
At 31 December 2016	223,235	27,223	60,982	55,902	10,416	631	4,687	4,631	3,148	390,855

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

Group (cont'd)	Long term leasehold land, buildings and mill structure RM'000	Plantation and fishery infrastructure development expenditure RM'000	Oil mill and estate plant and machinery RM'000	Heavy equipment and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Platforms, net cages and water tanks RM'000	Hotel and office renovations RM'000	Hotel plant and machinery RM'000	Capital work-in-progress* RM'000	Total RM'000
Accumulated depreciation and impairment loss										
At 1 January 2015	50,329	2,498	40,048	29,765	6,128	865	1,273	3,278	7,749	141,933
Depreciation charge:	6,307	541	3,296	4,746	844	16	282	242	-	16,274
Recognised in profit or loss (Note 8)	5,089	319	3,092	2,182	695	16	282	242	-	11,917
Capitalised in biological assets (Note 17(b))	1,218	222	204	2,564	149	-	-	-	-	4,357
Disposals	(99)	(6)	(30)	(2,064)	(178)	(295)	-	-	-	(2,672)
Written off	(97)	-	(9)	(261)	(8)	-	-	-	(8,533)	(8,908)
Transfer to non-current assets held for sale	(2,120)	(418)	-	-	-	-	-	-	-	(2,538)
Exchange differences	93	39	42	374	38	-	1	-	784	1,371
At 31 December 2015 and 1 January 2016	54,413	2,654	43,347	32,560	6,824	586	1,556	3,520	-	145,460
Depreciation charge:	7,020	621	3,947	4,645	900	8	295	223	-	17,659
Recognised in profit or loss (Note 8)	5,825	447	3,741	2,293	744	8	295	223	-	13,576
Allocation for Plasma Scheme	63	37	7	102	13	-	-	-	-	222
Capitalised in biological assets (Note 17(b))	1,132	137	199	2,250	143	-	-	-	-	3,861
Disposals	(283)	-	-	(1,429)	(28)	-	-	-	-	(1,740)
Written off	(9)	-	-	(99)	(281)	-	(14)	-	-	(403)
Transfer to non-current assets held for sale	(14,982)	(5)	(18,696)	(839)	(400)	-	-	-	-	(34,922)
Exchange differences	145	50	66	339	39	-	1	-	-	640
At 31 December 2016	46,304	3,320	28,664	35,177	7,054	594	1,838	3,743	-	126,694

* The amount represents the entire accumulated impairment losses recognised by the Group.

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

	Long term leasehold land, buildings and mill structure RM'000	Plantation and fishery infrastructure development expenditure RM'000	Oil mill and estate plant and machinery RM'000	Heavy equipment and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Platforms, net cages and water tanks RM'000	Hotel and office renovations RM'000	Hotel plant and machinery RM'000	Capital work-in-progress RM'000	Total RM'000
Group (cont'd)										
Net carrying amount										
At 31 December 2015	142,556	23,625	24,042	24,064	3,747	45	3,113	1,078	52,095	274,365
At 31 December 2016	176,931	23,903	32,318	20,725	3,362	37	2,849	888	3,148	264,161

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

Breakdown of long term leasehold land, buildings and mill structure of the Group:

	Long term leasehold land RM'000	Buildings and mill structure RM'000	Total RM'000
Cost			
At 1 January 2015	112,268	89,899	202,167
Additions	-	1,799	1,799
Disposal	-	(181)	(181)
Written off	-	(138)	(138)
Reclassified from capital work-in-progress	-	2,023	2,023
Transfer to non-current assets held for sale	(5,830)	(3,309)	(9,139)
Exchange differences	-	438	438
At 31 December 2015 and 1 January 2016	106,438	90,531	196,969
Additions	-	1,967	1,967
Written off	-	(45)	(45)
Reclassified from capital work-in-progress	-	43,602	43,602
Transfer to non-current assets held for sale	(405)	(19,344)	(19,749)
Exchange differences	-	491	491
At 31 December 2016	106,033	117,202	223,235
Accumulated depreciation			
At 1 January 2015	8,693	41,636	50,329
Depreciation charge for the year:	1,641	4,666	6,307
Recognised in profit or loss	1,641	3,448	5,089
Capitalised in biological assets	-	1,218	1,218
Disposal	-	(99)	(99)
Written off	-	(97)	(97)
Transfer to non-current assets held for sale	(713)	(1,407)	(2,120)
Exchange differences	-	93	93
At 31 December 2015 and 1 January 2016	9,621	44,792	54,413
Depreciation charge for the year:	1,528	5,492	7,020
Recognised in profit or loss	1,528	4,297	5,825
Allocation to Plasma Scheme	-	63	63
Capitalised in biological assets	-	1,132	1,132
Disposal	(283)	-	(283)
Written off	-	(9)	(9)
Transfer to non-current assets held for sale	(56)	(14,926)	(14,982)
Exchange differences	-	145	145
At 31 December 2016	10,810	35,494	46,304
Net carrying amount			
At 31 December 2015	96,817	45,739	142,556
At 31 December 2016	95,223	81,708	176,931

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

	Office renovations RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Company			
Cost			
At 1 January 2015	484	656	1,140
Additions	-	61	61
At 31 December 2015 and 1 January 2016	484	717	1,201
Additions	9	53	62
At 31 December 2016	493	770	1,263
Accumulated depreciation			
At 1 January 2015	11	335	346
Depreciation charge for the year (Note 8)	9	62	71
At 31 December 2015 and 1 January 2016	20	397	417
Depreciation charge for the year (Note 8)	10	67	77
At 31 December 2016	30	464	494
Net carrying amount			
At 31 December 2015	464	320	784
At 31 December 2016	463	306	769

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

(a) Assets held under finance leases

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM16,061,000 (2015: RM27,219,000) and RM62,000 (2015: RM61,000) respectively as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment acquired by means of finance leases	105	-	-	-
Cash payments made for acquisition of property, plant and equipment	15,956	27,219	62	61
	16,061	27,219	62	61

Net carrying amounts of property, plant and equipment held under finance leases are as follows:

	Group	
	2016 RM'000	2015 RM'000
Heavy equipment	3,918	4,577
Motor vehicles	945	1,098
	4,863	5,675

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

(b) Assets pledged as security

In addition to assets held under finance leases, the net carrying amounts of property, plant and equipment pledged as securities for loans and borrowings (Note 25) are as follows:

	Group	
	2016 RM'000	2015 RM'000
Long term leasehold land	63,367	71,669
Buildings	7,360	9,573
Plantation infrastructure development expenditure	10,029	13,942
Capital work-in-progress	512	220
	81,268	95,404

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

15. Investment property

	Leasehold land RM'000
Group	
Cost	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	1,200
Accumulated depreciation	
At 1 January 2015	23
Depreciation charge for the year (Note 8)	40
At 31 December 2015 and 1 January 2016	63
Depreciation charge for the year (Note 8)	40
At 31 December 2016	103
Net carrying amount	
At 31 December 2015	1,137
At 31 December 2016	1,097

	Group 2016 RM'000	Group 2015 RM'000
Fair value of investment property (Level 3)	1,200	1,200

The fair value of the property is based on directors' valuation, which draws reference to transactions of similar properties in surrounding location.

	Group 2016 RM'000	Group 2015 RM'000
Rental income derived from investment property	18	18

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

16. Land use rights

	Short term land lease RM'000
Group	
Cost	
At 1 January 2015	28,916
Additions	3,712
Reclassification to Plasma Scheme	(373)
Exchange differences	2,297
At 31 December 2015 and 1 January 2016	34,552
Additions	424
Impairment (Note 8)	(1,156)
Exchange differences	1,765
At 31 December 2016	35,585
Accumulated amortisation and impairment loss	
At 1 January 2015	2,605
Amortisation for the year:	885
Recognised in profit or loss (Note 8)	137
Capitalised in biological assets (Note 17)	748
Exchange differences	313
At 31 December 2015 and 1 January 2016	3,803
Amortisation for the year:	1,290
Recognised in profit or loss (Note 8)	475
Capitalised in biological assets (Note 17)	815
At 31 December 2016	5,093
Net carrying amount	
At 31 December 2015	30,749
At 31 December 2016	30,492

The Group has land use rights over:

(a) a parcel of leasehold land in Malaysia where a subsidiary's oil mill resides with a remaining tenure of 28 years (2015: 29 years);
(b) several parcels of leasehold plantation land in Malaysia with remaining tenure from 17 to 23 years (2015: 18 to 24 years). The leases are renewable for a further term of 30 years; and
(c) several parcels of leasehold plantation land in Indonesia with certificates of Hak Guna Usaha issued by the Indonesian authority with tenure of 35 years commencing 8 February 2010 and 23 November 2010 respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

17. Biological assets

	Non-current		Current	
	Oil palm planting expenditure RM'000	Broodstock RM'000	Fishery livestock RM'000	Total RM'000
Group				
Cost				
At 1 January 2015	238,892	506	1,278	240,676
Additions	64,642	1	161	64,804
Disposals	-	(493)	(1,453)	(1,946)
Reclassifications	(5,978)	(14)	14	(5,978)
Transfer to non-current assets held for sale (Note 24)	(9,643)	-	-	(9,643)
Exchange differences	10,625	-	-	10,625
At 31 December 2015 and 1 January 2016	298,538	-	-	298,538
Additions	43,613	-	-	43,613
Transfer to non-current assets held for sale (Note 24)	(670)	-	-	(670)
Exchange differences	11,235	-	-	11,235
At 31 December 2016	352,716	-	-	352,716
Accumulated amortisation				
At 1 January 2015	-	100	-	100
Amortisation for the year (Note 8)	-	2	-	2
Disposal	-	(102)	-	(102)
At 31 December 2015, 1 January 2016 and 31 December 2016	-	-	-	-
Net carrying amount				
At 31 December 2015	298,538	-	-	298,538
At 31 December 2016	352,716	-	-	352,716

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

17. Biological assets (cont'd)

	Group 2016 RM'000	Group 2015 RM'000
Analysed as:		
Non-current	352,716	298,538
Current	-	-
	352,716	298,538

(a) Included in biological assets of the Group are biological assets of a subsidiary, PT Borneo Indosubur ("PT BIS") with net carrying amount of RM37,531,000 (2015: RM34,848,000), of which the revocation of land use rights ("Hak Guna Usaha" or "HGU") was upheld by the Supreme Court of Indonesia in 2015. In prior year, PT BIS is still in reapplication process of the HGU and has on 30 March 2016, obtained a new Location Permit ("Izin Lokasi") for the cleared and planted area within the previous HGU area. On 29 December 2016, PT BIS has obtained approval from Bupati Paser ("the State") on extension of the Izin Lokasi for another 3 years. The grant of the HGU for the Izin Lokasi area is subject to fulfilment of certain requirements and the compliance towards prevailing laws and regulations. Although the Izin Lokasi area is under the control of the State as at the reporting date, no impairment loss is recognised on the net carrying amount of the biological assets, as management believes that the biological assets are protected under the relevant law. Management is in the process of fulfilling the necessary requirements in order to obtain the HGU for the Izin Lokasi area.

(b) Oil palm planting expenditure capitalised during the financial year included the following:

	Group 2016 RM'000	Group 2015 RM'000
Amortisation of land use rights (Note 16)	815	748
Depreciation of property, plant and equipment (Note 14)	3,861	4,357
Finance costs (Note 7)	13,337	20,718
Employee benefits expense (Note 9)	6,139	8,605

(c) Oil palm planting expenditure of the Group with an aggregate carrying value of RM120,851,000 (2015: RM117,540,000) is pledged as securities for loans and borrowings (Note 25).

18. Intangible asset

	Group 2016 RM'000	Group 2015 RM'000
Goodwill		
Cost	5,050	5,050
Less: Accumulated impairment loss	118	118
Net carrying amount	4,932	4,932

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

18. Intangible asset (cont'd)

Impairment testing of goodwill

Goodwill which arose from business combinations has been allocated to cash-generating units ("CGU") of plantation and milling segment for impairment testing.

The carrying amounts of goodwill for plantation and milling segment amounted to RM4,932,000 (2015: RM4,932,000).

The recoverable amount of the above CGU has been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The Crude Palm Oil ("CPO") and Palm Kernel ("PK") prices and the pre-tax discount rate applied to the cash flow projections are as follows:

	Group	
	2016	**2015**
CPO per MT (RM)	2,960	2,160
PK per MT (RM)	2,700	1,285
Pre-tax discount rate (%)	4.23	4.70

The calculations of value in use for the CGU are most sensitive to the following assumptions:

CPO and PK prices – CPO and PK prices are based on the current market outlook of product prices relating to the CGU.

Pre-tax discount rates – Discount rates are calculated based on the weighted average cost of capital ("WACC") of the Group. In determining the cost of equity portion for the WACC, the average rate derived from the dividend growth model and capital asset pricing model is used. The calculation of cost of equity based on dividend growth model takes into account of the expected dividend yield and growth of the Group whereas the capital asset pricing model takes into account of the 3-year Malaysian Government Securities coupon rate as the risk free rate of return, the beta risk of a similar size listed plantation company and the market rate of return.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the plantation and mill segment, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGU to materially exceed their recoverable amounts.

19. Investments in subsidiaries

	Company	
	2016	**2015**
	RM'000	**RM'000**
Unquoted shares at cost in Malaysia	186,480	186,480
Amounts due from subsidiaries*	514,442	459,113
Less: Transfer to non-current assets held for sale (Note 24)	(14,397)	-
	686,525	645,593

* These amounts are unsecured and subject to interest charge at rates ranging from 4.91% to 8.85% (2015: from 4.17% to 8.85%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

19. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Proportion of ownership interest 2016	2015
Incorporated in Malaysia		%	%
Held by the Company:			
Agrisa Trading Sdn. Bhd. [i]	Oil palm plantation	100	100
Berkat Setia Sdn. Bhd. [i]	Oil palm plantation and palm oil mill	100	100
Ballerina Sdn. Bhd. [i]	Property letting	100	100
Dat Soon Trading Sendirian Berhad [i]	Trading of fresh fruit bunches	100	100
Growth Enterprise Sendirian Berhad[i]	Oil palm plantation	100	100
Intan Ramai Sdn. Bhd. [i]	Oil palm plantation	100	100
Kian Merculaba Sdn. Bhd. [i]	Oil palm plantation	100	100
Kidat Sendirian Berhad [i]	Transportation services	100	100
Sinar Ramai Sdn. Bhd. [i]	Oil palm plantation	100	100
Seraya Plantation Sdn. Bhd. [i]	Oil palm plantation	100	100
Sungai Ruku Oil Palm Plantation Sdn. Bhd. [i]	Palm oil mill	100 *	100
Syarikat Emashijau Sdn. Bhd. [i]	Management services	100	100
Syarikat Sofrah Sdn. Bhd. [i]	Oil palm plantation	100	100
Transglobe Enterprise Sdn. Bhd. [i]	Oil palm plantation	100	100
Wenow Enterprise Sdn. Bhd. [i]	Trading of fresh fruit bunches	100	100
The Palace Ventures Sdn. Bhd. [i]	Hotelier	100	100
Miracle Display Sdn. Bhd. [i]	Dormant	100	100
Better Prospects Sdn. Bhd. [i]	Fish rearing and renting of fish hatchery assets	100	100
Bintang Kinabalu Plantation Sdn. Bhd. [i]	Investment holding	100	100
Banggi Setia Sdn. Bhd. [i]	Dormant	100	100
Miasa Plantation Sdn. Bhd. [i]	Investment holding	100	100
Natural Plantation Sdn. Bhd. [i]	Dormant	100	100
Permata Alam Sdn. Bhd. [i]	Investment holding	100	100
Berkat Banggi Sdn. Bhd. [i]	Dormant	100	100
Sungai Kenali Sdn. Bhd. [i]	Oil palm plantation	100	100
Held through Growth Enterprise Sendirian Berhad:			
Telupid Kelapa Sawit Sdn. Bhd. [i]	Investment holding	70	70
Held through Telupid Kelapa Sawit Sdn. Bhd:			
Bonus Indah Sdn. Bhd. [i]	Oil palm plantation	70	70

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

19. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):

Name of subsidiaries	Principal activities	Proportion of ownership interest 2016 %	2015 %
Incorporated in Malaysia (cont'd)			
Held through Berkat Setia Sdn. Bhd.:			
Best Borneo Oil Palm Resources Sdn. Bhd. [i]	Dormant	70	70
Held through Kidat Sendirian Berhad:			
Pedoman Hasil Sdn. Bhd. [i]	Dormant	100	100
Incorporated in Indonesia			
Held through Permata Alam Sdn. Bhd.:			
PT Enggang Alam Sawita [ii]	Oil palm plantation	95	95
Held through Bintang Kinabalu Plantation Sdn. Bhd.:			
PT Borneo Indosubur [ii]	Oil palm plantation	95	90
Held through Miasa Plantation Sdn. Bhd.:			
PT Nala Palma Cadudasa [ii]	Oil palm plantation and palm oil mill	95	95

i Audited by Ernst & Young, Malaysia
ii Audited by Hendrawinata Eddy Siddharta & Tanzil
* The subsidiary was classified as held for sale as disclosed in Note 24.

An investment in a subsidiary with a net carrying amount of RM11,308,000 (2015: RM11,308,000) is pledged as securities loans and borrowings (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

19. Investments in subsidiaries (cont'd)

Financial information of subsidiaries that have material non-controlling interests is provided below.

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2016	2015
Bonus Indah Sdn. Bhd.	Malaysia	30%	30%
PT Borneo Indosubur	Indonesia	5%	10%
PT Enggang Alam Sawita	Indonesia	5%	5%
PT Nala Palma Cadudasa	Indonesia	5%	5%

	2016 RM'000	2015 RM'000
Accumulated balances of material non-controlling interests:		
Bonus Indah Sdn. Bhd.	4,653	4,060
PT Borneo Indosubur	(1,914)	(2,832)
PT Enggang Alam Sawita	(713)	(398)
PT Nala Palma Cadudasa	(146)	(35)
Profit/(loss) allocated to material non-controlling interests:		
Bonus Indah Sdn. Bhd.	593	625
PT Borneo Indosubur	(540)	(231)
PT Enggang Alam Sawita	(315)	(180)
PT Nala Palma Cadudasa	(181)	(66)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

19. Investments in subsidiaries (cont'd)

The summarised financial information at the subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statements of financial position as at 31 December 2016:

	Bonus Indah Sdn. Bhd.	PT Borneo Indosubur	PT Enggang Alam Sawita	PT Nala Palma Cadudasa
	RM'000	RM'000	RM'000	RM'000
Non-current assets	56,897	47,630	55,201	314,426
Current assets	1,408	3,763	2,976	17,074
Total assets	58,305	51,393	58,177	331,500
Current liabilities	18,905	89,233	72,963	334,979
Non-current liabilities	6,233	437	244	3,479
Total liabilities	25,138	89,670	73,207	338,458
Net assets/(liabilities)	33,167	(38,277)	(15,030)	(6,958)
Equity attributable to equity holders of the parent	28,514	(36,363)	(14,317)	(6,812)
Non-controlling interests	4,653	(1,914)	(713)	(146)
	33,167	(38,277)	(15,030)	(6,958)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

19. Investments in subsidiaries (cont'd)

Summarised statements of comprehensive income for year ended 31 December 2016:

	Bonus Indah Sdn. Bhd.	PT Borneo Indosubur	PT Enggang Alam Sawita	PT Nala Palma Cadudasa
	RM'000	RM'000	RM'000	RM'000
Revenue	14,111	1,073	2,551	4,319
Profit/(loss) for the year	1,982	(6,801)	(5,369)	(3,451)
Other comprehensive income/(loss) attributable to:				
Equity holders of the parent	56	(2,172)	(767)	(151)
Non-controlling interests	24	(114)	(40)	(8)
	80	(2,286)	(807)	(159)
Profit/(loss) attributable to:				
Equity holders of the parent	1,387	(6,461)	(5,101)	(3,278)
Non-controlling interests	595	(340)	(268)	(173)
	1,982	(6,801)	(5,369)	(3,451)
Total comprehensive income/(loss)	2,062	(9,087)	(6,176)	(3,610)
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	1,469	(8,547)	(5,861)	(3,429)
Non-controlling interests	593	(540)	(315)	(181)
	2,062	(9,087)	(6,176)	(3,610)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

19. Investments in subsidiaries (cont'd)

Summarised cash flows for year ended 31 December 2016:

	Bonus Indah Sdn. Bhd.	PT Borneo Indosubur	PT Enggang Alam Sawita	PT Nala Palma Cadudasa
	RM'000	RM'000	RM'000	RM'000
Net cash flows generated from operating activities	2,837	1,409	2,964	38,994
Net cash flows used in investing activities	(979)	(1,569)	(2,554)	(38,893)
Net cash flows used in financing activities	(892)	-	-	-
Net increase/(decrease) in cash and cash equivalents	966	(160)	410	101

Summarised statements of financial position as at 31 December 2015:

	Bonus Indah Sdn. Bhd.	PT Borneo Indosubur	PT Enggang Alam Sawita	PT Nala Palma Cadudasa
	RM'000	RM'000	RM'000	RM'000
Non-current assets	57,179	43,478	42,226	233,770
Current assets	330	3,508	8,512	8,328
Total assets	57,509	46,986	50,738	242,098
Current liabilities	20,114	75,923	59,440	242,255
Non-current liabilities	6,207	249	172	372
Total liabilities	26,321	76,172	59,612	242,627
Net assets/(liabilities)	31,188	(29,186)	(8,874)	(529)
Equity attributable to equity holders of the parent	27,128	(26,354)	(8,476)	(564)
Non-controlling interests	4,060	(2,832)	(398)	35
	31,188	(29,186)	(8,874)	(529)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

19. Investments in subsidiaries (cont'd)

Summarised statements of comprehensive income for year ended 31 December 2015:

	Bonus Indah Sdn. Bhd.	PT Borneo Indosubur	PT Enggang Alam Sawita	PT Nala Palma Cadudasa
	RM'000	RM'000	RM'000	RM'000
Revenue	14,403	-	928	-
Profit/(loss) for the year	2,004	347	(2,947)	(1,330)
Other comprehensive income/(loss) attributable to:				
Equity holders of the parent	56	(2,396)	(635)	14
Non-controlling interests	24	(266)	(33)	1
	80	(2,662)	(668)	15
Profit/(loss) attributable to:				
Equity holders of the parent	1,403	312	(2,800)	(1,263)
Non-controlling interests	601	35	(147)	(67)
	2,004	347	(2,947)	(1,330)
Total comprehensive income/(loss)	2,084	(2,315)	(3,615)	(1,315)
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	1,459	(2,084)	(3,435)	(1,249)
Non-controlling interests	625	(231)	(180)	(66)
	2,084	(2,315)	(3,615)	(1,315)

Summarised cash flows for year ended 31 December 2015:

	Bonus Indah Sdn. Bhd.	PT Borneo Indosubur	PT Enggang Alam Sawita	PT Nala Palma Cadudasa
	RM'000	RM'000	RM'000	RM'000
Net cash flows generated from/(used in) operating activities	2,453	(42,851)	6,098	78,300
Net cash flows (used in)/ generated from investing activities	(1,301)	19,719	(4,882)	(78,287)
Net cash flows used in financing activities	(1,152)	-	(1,049)	-
Net (decrease)/increase in cash and cash equivalents	-	(23,132)	167	13

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

20. Investment securities

	Group 2016 RM'000	Group 2015 RM'000
Non-current		
Available-for-sale financial assets		
- Equity instruments (unquoted), at cost	1,759	1,759

21. Inventories

	Group 2016 RM'000	Group 2015 RM'000
Cost		
Crude palm oil and palm kernel	8,474	17,762
Consumable stores	4,576	4,622
Oil palm nurseries	3,052	2,989
Food, beverages and tobacco	98	115
Hotel consumables	166	149
	16,366	25,637

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM190,679,000 (2015: RM197,220,000).

22. Trade and other receivables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Trade receivables (a)				
Third parties	8,746	8,945	-	-
Less: Allowance for impairment	(92)	(91)	-	-
Trade receivables, net	8,654	8,854	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

22. Trade and other receivables (cont'd)

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current				
Other receivables				
Advances to contractors (b)	2,664	503	-	-
Indonesian value added tax recoverable	5,741	4,182	-	-
Malaysian Goods and Service Tax recoverable	258	333	9	22
Staff loans (c)	1,792	1,452	34	39
Sundry deposits	2,312	2,139	-	-
Sundry receivables	3,367	4,202	50	73
	16,134	12,811	93	134
Less: Allowance for impairment (e)	(1,650)	(1,041)	-	-
	14,484	11,770	93	134
	23,138	20,624	93	134
Non-current				
Other receivables				
Foreign companies pending completion of acquisition:				
- Deposits paid for purchase consideration and incidental costs	4,798	4,798	-	-
- Advances for working capital	3,150	2,184	-	-
Amounts due from foreign subsidiaries' non-controlling interests	899	1,042	-	-
Advance for Plasma Scheme (d)	10,410	6,460	-	-
Deposits paid for leases of land and office building	3,564	3,069	-	-
Payment of securities subscription of a foreign company	136,095	104,089	48,934	22,547
Deposit for acquisition of additional interest in a subsidiary from non-controlling interests	-	2,215	-	-
	158,916	123,857	48,934	22,547
Less: Allowance for impairment (e)	(6,925)	(6,925)	-	-
	151,991	116,932	48,934	22,547
Total trade and other receivables (current and non-current)	175,129	137,556	49,027	22,681
Add: Cash and bank balances (Note 23)	14,723	8,043	7,374	2,607
Total loans and receivables	189,852	145,599	56,401	25,288

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

22. Trade and other receivables (cont'd)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 60 days (2015: 7 to 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group 2016 RM'000	Group 2015 RM'000
Neither past due nor impaired	8,097	8,479
1 to 30 days past due not impaired	94	67
31 to 60 days past due not impaired	16	60
61 to 90 days past due not impaired	3	59
91 to 120 days past due not impaired	443	189
More than 121 days past due not impaired	1	-
	557	375
Impaired	92	91
	8,746	8,945

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Approximately 57% (2015: 71%) of the Group's trade receivables arise from refinery customers which are subsidiaries of well-established listed plantation groups.

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM557,000 (2015: RM375,000) that are past due at the reporting date but not impaired. These balances are unsecured in nature. Management is confident that these receivables are recoverable as these amounts are still active.

Receivables that are impaired

The movements of the allowance accounts used to record the impairment are as follows:

	Individually impaired Group 2016 RM'000	Individually impaired Group 2015 RM'000
At 1 January	91	80
Charge for the year (Note 8)	1	11
At 31 December	92	91

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

22. Trade and other receivables (cont'd)

(b) Advances to contractors

The advances were made to contractors engaged by the Group's Indonesian subsidiaries for oil palm plantation development and these advances are interest-free and will be deducted against future progress billings for contract work done by the contractors.

(c) Staff loans

The above amount is unsecured and is repayable on demand.

(d) Advance for Plasma Scheme

The government of the Republic of Indonesia requires companies involved in plantation development to provide support to develop and cultivate oil palm lands for local communities in oil palm plantations as part of their social obligation which are known as Plasma Schemes.

In line with this requirement, the Group's Indonesian subsidiaries are involved in several cooperative programs for the development and cultivation of oil palm lands for local communities. These subsidiaries supervise and manage the Plasma Schemes. Advances made by the Group's subsidiaries to the Plasma Schemes in the form of plantation development costs are recoverable either through bank loans obtained by the cooperatives or direct repayments from Plasma Schemes when these plasma areas come into production.

The Group has carried out an assessment on the recoverability based on its ongoing plantation development expenditure and management believes that no impairment is required.

(e) Other receivables that are impaired

At the reporting date, the Group has provided an impairment loss of RM8,575,000 (2015: RM7,966,000) for purchase consideration and incidental costs for the acquisition of foreign companies and advances for working capital with nominal amounts of RM8,575,000 (2015: RM7,966,000). These receivables are determined to be individually impaired and full impairment loss has been recognised. These receivables are not secured by any collateral or credit enhancements.

The movements of the allowance accounts used to record the impairment are as follows:

	Individually impaired Group	
	2016 RM'000	**2015 RM'000**
At 1 January	7,966	183
Charge for the year (Note 8)	517	7,783
Transfer to assets held for sale	(3)	-
Translation difference	95	-
At 31 December	8,575	7,966

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

23. Cash and bank balances

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash at banks and on hand	14,295	7,465	7,374	2,607
Short-term fixed deposits with licensed banks	428	578	-	-
Cash and bank balances (Note 22)	14,723	8,043	7,374	2,607

Cash at certain banks earns interest at floating rates based on daily bank deposit rates. Short-term fixed deposits are made for periods of between 3 months and 12 months depending on the immediate cash requirements of the Group and of the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2016 and 31 December 2015 for the Group and the Company were as follows:

	Group	
	2016 %	2015 %
Short-term fixed deposits with licensed banks in:		
Malaysia	3.00	4.37

Short-term fixed deposits with licensed banks of the Group amounting to RM28,000 (2015: RM28,000) are held under lien to secure bank guarantees issued in favour of third parties on behalf of the Group.

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	14,723	8,043	7,374	2,607
Bank overdraft (Note 25)	(4,152)	(11,014)	-	(39)
	10,571	(2,971)	7,374	2,568
Cash and cash equivalents attributable to disposal group classified as held for sale	(3,957)	-	-	-
Short term fixed deposits with licensed banks with maturity more than 3 months	(428)	(328)	-	-
Total cash and cash equivalents	6,186	(3,299)	7,374	2,568

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

24. Assets held for sale

(a) On 28 August 2015, the Company had announced to Bursa Malaysia Securities Berhad that the Company's wholly owned subsidiary, Transglobe Enterprise Sdn. Bhd. ("TGSB") has on 28 August 2016 entered into a Conditional Sales and Purchase Agreement with Ladang Sri Harapan (Sabah) Sdn. Bhd. in relation to the disposal by TGSB of 18 parcels of agricultural land with buildings erected in the District of Labuk Sugut, in the State of Sabah, for a sales consideration of RM74,051,000.

The disposal was completed on 3 February 2016.

(b) On 29 September 2016, the Company has entered into a Conditional Sale and Purchase Agreement ("Share Sale SPA") with Budaya Potensi Sdn. Bhd. ("BPSB") ("the Purchaser") in relation to the proposed disposal of its entire equity interest in Sungai Ruku Oil Palm Plantation Sdn. Bhd. ("SROPP"), a wholly owned subsidiary of the Company for a sales consideration of RM35,500,000 ("Share Sale").

SROPP is the equitable and beneficial owner of a palm oil mill erected on a parcel of agricultural land ("said Palm Oil Mill") and located within the land held under Country Lease No. 095310348, located at Segaliud-Lokan, District of Kinabatangan, in the State of Sabah ("the said Land") registered in the name of Agrisa Trading Sdn. Bhd. ("ATSB"), a wholly owned subsidiary of the Company. The Share Sale is to be sold en-bloc with the disposal of the said Land entered between ATSB and BPSB.

On the same date, ATSB entered into a Conditional Sale & Purchase Agreement ("Land SPA") with BPSB in relation to the disposal of the said Land at a sales consideration of RM12,000,000.

As at 31 December 2016, the assets related to SROPP and the said Land owned by ATSB have been presented in the consolidated statement of financial position as "Assets of disposal group classified as held for sale" while the liabilities related to SROPP have been presented in the consolidated statement of financial position as "Liabilities directly associated with disposal group classified as held for sale". In the Company's statement of financial position, the investment in SROPP is presented as "non-current asset classified as held for sale". The disposal was completed on 3 March 2017.

Statements of financial position disclosures

The major classes of assets and liabilities classified as held for sale are as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Assets:		
Property, plant and equipment	13,454	10,460
Biological assets (Note 17)	670	9,643
Inventories	4,774	-
Trade and other receivables	6,922	-
Tax refundable	263	-
Cash and bank balances	441	-
Assets of disposal group classified as held for sale	26,524	20,103
Liabilities:		
Trade and other payables	11,189	-
Loan and borrowings	11,369	-
Deferred tax liabilities (Note 28)	1,860	-
Liabilities directly associated with disposal group classified as held for sale	24,418	-

Cash and cash equivalents attributable to disposal group classified as held for sale comprise cash and bank balances of RM441,000 and bank overdrafts of RM4,398,000.

Assets held for sale of the Group with a total net carrying amount of RM14,124,000 (2015: RM20,103,000) was charged to secure banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

24. Assets held for sale (cont'd)

Statements of financial position disclosures (cont'd)

The non-current asset classified as held for sale on the Company's statement of financial position as at 31 December 2016 is as follows:

	Company 2016 RM'000	2015 RM'000
Asset:		
Investments in subsidiaries (Note 19)	14,397	-

25. Loans and borrowings

	Group 2016 RM'000	2015 RM'000	Company 2016 RM'000	2015 RM'000
Current				
Unsecured:				
Bank overdrafts	-	2,524	-	39
Secured:				
Bank overdrafts	4,152	8,490	-	-
Revolving credits	116,893	115,200	81,807	95,159
Bankers' acceptances	2,490	4,934	-	-
Bank loans	39,688	41,076	34,848	36,464
Obligations under finance leases (Note 32(b))	1,480	1,431	-	-
	164,703	173,655	116,655	131,662
Non-current				
Secured:				
Bank loans	182,315	212,492	150,417	175,765
Obligations under finance leases (Note 32(b))	659	2,064	-	-
	182,974	214,556	150,417	175,765
Total				
Bank overdrafts (Note 23)	4,152	11,014	-	39
Revolving credits	116,893	115,200	81,807	95,159
Bankers' acceptances	2,490	4,934	-	-
Bank loans	222,003	253,568	185,265	212,229
Obligations under finance leases (Note 32(b))	2,139	3,495	-	-
Total loans and borrowings (Note 26)	347,677	388,211	267,072	307,427

All the above loans and borrowings are denominated in Ringgit Malaysia except for one revolving credit that is denominated in United Stated Dollar ("USD").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

25. Loans and borrowings (cont'd)

The remaining maturities of the loans and borrowings as at 31 December 2016 are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
On demand or within one year	164,703	173,655	116,655	131,662
More than 1 year but less than 2 years	39,645	41,150	33,718	34,848
More than 2 years but less than 5 years	77,084	97,256	59,431	79,655
5 years or more	66,245	76,150	57,268	61,262
	347,677	388,211	267,072	307,427

Bank overdrafts

Bank overdrafts are repayable on demand and bear interest ranging from Malaysian Base Lending Rate ("BLR") + 0.25% to BLR + 1.25% (2015: BLR + 0.25% to BLR + 1.25%) per annum.

Revolving credits

Revolving credits denominated in RM are roll-over on a monthly basis subject to bank's review and bear interests ranging from Cost of Fund ("COF") + 1.00% to COF + 1.25% (2015: from COF + 1.00% to COF + 1.25%) per annum. Revolving credits denominated in USD are also roll-over on a monthly basis and bear interests range from 3.54% to 4.11% (2015: 2.95%) per annum. The revolving credits are secured by legal charges over several parcels of long term leasehold land and oil palm planting expenditure of certain subsidiaries as disclosed in Note 14 and Note 17 and a corporate guarantee by the Company as disclosed in Note 26(d).

Bankers' acceptances

Bankers' acceptances are drawn on 120 days (2015: 120 days) tenure and bear interest at COF + 1.25% (2015: COF + 1.25%) per annum. They are secured by corporate guarantees given by the Company as disclosed in Note 26(d).

Bank loans

The bank loans of the Group and of the Company consist of the following:

(a) Six (2015: six) floating rate term loans granted to the Company bearing interest at COF + 1.50% (2015: COF + 1.50%) per annum of which two are expected to be fully repaid in 2017, one in 2018, one in 2019 and the other two in 2020 respectively. These bank loans are secured by:

  (i) legal charges over several parcels of long term leasehold land and oil palm planting expenditure of certain subsidiaries as disclosed in Note 14 and Note 17;
  (ii) investment in the unquoted shares of a subsidiary as disclosed in Note 19; and
  (iii) corporate guarantees by certain subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

25 . Loans and borrowings (cont'd)

Bank loans (cont'd)

(b) Two (2015: two) floating rate term loans granted to the Company bearing interest at COF + 1.30% (2015: COF + 1.30%) per annum of which one is expected to be fully repaid in 2020 and the other one in 2025. These bank loans are secured by:

(i) legal charges over several parcels of long term leasehold land and oil palm planting expenditure of certain subsidiaries as disclosed in Note 14 and Note 17; and
(ii) corporate guarantees given by certain subsidiaries.

(c) Two (2015: two) floating rate term loans granted to a subsidiary bearing interest at COF + 1.50% (2015: COF + 1.50%) per annum and they are expected to be fully repaid over approximately 7 years in 2023. These bank loans are secured by:

(i) legal charges over several parcels of long term leasehold land and oil palm planting expenditure of certain subsidiaries as disclosed in Note 14 and Note 17; and
(ii) corporate guarantees by the Company.

Obligations under finance leases

These obligations are secured by charges over leased assets as disclosed in Note 14 and corporate guarantees by the Company as disclosed in Note 26(d). The discount rates implicit in the leases range from 4.83% to 6.54% (2015: 4.73% to 6.54%) per annum. These obligations have maturities ranging from 2017 to 2019.

26. Trade and other payables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Trade payables (a)				
Third parties	16,145	21,115	-	-
Other payables				
Amounts due to subsidiaries (b):				
- Interest-bearing advances	-	-	292,553	205,472
Sundry deposits	4,805	7,520	-	-
Accruals	3,392	3,199	758	118
Sundry payables	19,090	44,196	4,886	1,234
Malaysian Goods and Services Tax payable	712	964	-	-
	27,999	55,879	5,644	1,352
	44,144	76,994	298,197	206,824
Non-current				
Other payables				
Amounts due to a related company (c)	68,132	-	-	-
Total trade and other payables	112,276	76,994	298,197	206,824
Add: Loans and borrowings (Note 25)	347,677	388,211	267,072	307,427
Total financial liabilities carried at amortised cost	459,953	465,205	565,269	514,251

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

26. Trade and other payables (cont'd)

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled within the trade credit terms granted to the Group ranging from 30 to 90 days (2015: 30 to 90 days).

(b) Amounts due to subsidiaries

These amounts are unsecured, repayable on demand and subject to interest charge at rates ranging from 4.91% to 8.10% (2015: 4.94% to 8.10%) per annum.

(c) Amounts due to a related company

These amounts are advances received from a related company for oil palm planting expenditure and are expected to be settled within 24 – 36 months from the reporting date.

(d) Financial guarantees

The fair value of financial guarantees provided by the Company to the banks to secure banking facilities granted to subsidiaries and a related company as disclosed in Note 25 with nominal amount of RM236,794,000 (2015: RM88,022,000) are negligible as the probability of the financial guarantees being called upon is remote due to the following factors:

(a) most of the outstanding loans and borrowings are adequately secured by property, plant and equipment of the subsidiaries in which their market values upon realisation are higher than the outstanding loans and borrowings amounts; or

(b) for short term loans and borrowings which are not secured by property, plant and equipment of the subsidiaries, the respective subsidiaries will be able to meet their short term loans and borrowings obligations as and when they fall due as they are in net current assets positions.

27. Employee defined benefit liabilities

The subsidiaries in Indonesia operate unfunded defined benefit schemes for qualified permanent employees and the latest actuarial valuations of the plans were carried out on 31 December 2016.

The movement during the financial year and the amounts recognised in the consolidated statement of financial position are as follows:

	Group	
	2016 RM'000	**2015 RM'000**
At 1 January	421	441
Recognised in profit or loss (Note 9):	334	(64)
Interest cost	28	9
Current service cost	306	215
Past service cost	32	16
Curtailment gain	(26)	(244)
Net liability released due to employee transferred out	(6)	(60)
Recognised in other comprehensive income:	(71)	3
Actuarial changes in financial assumptions	29	(17)
Experience adjustments	(100)	20
Exchange differences	39	41
At 31 December	723	421

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

27. Employee defined benefit liabilities (cont'd)

The amounts recognised on the consolidated statement of financial position are determined as follows:

	Group 2016 RM'000	Group 2015 RM'000
Present value of obligations (non-current)	723	421

The principal actuarial assumptions used at the reporting date in determining the employee defined benefit obligation for the Group's plans are as follows:

	Group 2016 %	Group 2015 %
Discount rate	8.5	9.1
Expected return of salary increase	6.0	6.0

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumptions on the employee defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

		Impact on employee defined benefit liabilities Increase/(decrease)	
		2016 RM'000	**2015 RM'000**
Discount rate	+ 1%	684	397
Discount rate	- 1%	(768)	(449)
Future salary increases	+ 1%	768	450
Future salary decreases	- 1%	(683)	(396)

28. Deferred tax

	As at 1 January 2015 RM'000	Recognised in profit or loss (Note 11) RM'000	Exchange differences RM'000	As at 31 December 2015 RM'000	Recognised in profit or loss (Note 11) RM'000	Transfer to held for sale (Note 24) RM'000	Exchange differences RM'000	As at 31 December 2016 RM'000
Group								
Deferred tax liabilities:								
Property, plant and equipment, land use rights and biological assets	44,568	4,805	20	49,393	2,623	(2,485)	36	49,567
Deferred tax assets:								
Unabsorbed capital and agriculture allowances	(5,485)	(1,796)	-	(7,281)	(2,286)	325	-	(9,242)
Unutilised tax losses	(4,203)	(2,444)	-	(6,647)	(3,206)	300	-	(9,553)
Provision	(126)	-	-	(126)	-	-	-	(126)
	(9,814)	(4,240)	-	(14,054)	(5,492)	625	-	(18,921)
	34,754	565	20	35,339	(2,869)	(1,860)	36	30,646

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

28. Deferred tax (cont'd)

	As at 1 January 2015 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 31 December 2015 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 31 December 2016 RM'000
Company					
Deferred tax liability:					
Property, plant and equipment	53	3	56	(2)	54
Deferred tax asset:					
Unutilised tax losses	(519)	246	(273)	273	-
	(466)	249	(217)	271	54

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(382)	(398)	-	(217)
Deferred tax liabilities	31,028	35,737	54	-
	30,646	35,339	54	(217)

Unrecognised deferred tax assets

Due to uncertainty of recoverability, deferred tax assets have not been recognised in respect of the following items which are available for offsetting against future taxable profits of the respective subsidiaries in which those items arose:

	Group 2016 RM'000	Group 2015 RM'000
Unutilised tax losses	41,563	24,997
Unabsorbed capital allowance	19,955	17,246
	61,518	42,243

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

28. Deferred tax (cont'd)

Unrecognised deferred tax assets (cont'd)

The availability of unutilised tax losses and unabsorbed capital allowances of the Group for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other country is subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the other country in which the subsidiaries operate.

The unutilised tax losses in the foreign subsidiaries amounting to RM61,600,000 (2015: RM45,243,000) are available for carry forward in the jurisdiction in which the foreign subsidiary operates for a period of 5 years from the year in which those tax losses arose.

29. Share capital and treasury shares

	Group and Company			
	Number of ordinary shares of RM1 each		Amount	
	Share capital '000	Treasury shares '000	Share capital RM'000	Treasury shares RM'000
Issued and fully paid				
At 1 January 2015	120,000	(87)	120,000	(242)
Purchase of treasury shares	-	(183)	-	(513)
At 31 December 2015 and 1 January 2016	120,000	(270)	120,000	(755)
Purchase of treasury shares	-	(1,247)	-	(2,923)
At 31 December 2016	120,000	(1,517)	120,000	(3,678)

	Number of ordinary shares of RM1 each		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
Authorised share capital				
At 1 January and 31 December	500,000	500,000	500,000	500,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

29. Share capital and treasury shares (cont'd)

(a) Share capital

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

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

During the financial year, the Company repurchased 1,247,400 (2015: 182,600) of its issued ordinary shares from the open market at an average price of RM2.34 (2015: RM2.79) per share. The total consideration paid for the repurchase including transaction costs was RM2,923,000 (2015: RM513,000). The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares.

30. Retained earnings

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

31. Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

32. Commitments

(a) Capital commitments

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

	Group 2016 RM'000	Group 2015 RM'000
Approved and contracted for:		
Construction of:		
- estate buildings and infrastructure	1,543	1,798
- mill buildings and infrastructure	99	49
- palm oil mill in an Indonesian subsidiary	211	1,770
	1,853	3,617

(b) Finance lease commitments

The Group has finance leases for certain property, plant and equipment as disclosed in Note 14. Future minimum lease payments under finance leases together with present value of minimum lease payments are as follows:

	Group 2016 RM'000	Group 2015 RM'000
Minimum lease payments:		
Not later than 1 year	1,559	1,593
Later than 1 year and not later than 2 years	514	1,521
Later than 2 years and not later than 5 years	165	638
Total minimum lease payments	2,238	3,752
Less: Amount representing finance charges	(99)	(257)
Present value of minimum lease payments	2,139	3,495
Present value of payments:		
Not later than 1 year	1,480	1,431
Later than 1 year and not later than 2 years	497	1,446
Later than 2 years and not later than 5 years	162	618
Present value of minimum lease payments (Note 25)	2,139	3,495
Less: Amount due within 12 months (Note 25)	(1,480)	(1,431)
Amount due after 12 months (Note 25)	659	2,064

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

33. Related party transactions

(a) Sale and purchase of goods and services

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

	2016 RM'000	2015 RM'000
Group		
Transactions with a Director of the Company, Loo Ngin Kong:		
Rental expense	16	16
Purchase of fresh fruit bunches	31	24
Transactions with a Director of the Company, Wong Siew Ying:		
Sale of a motor vehicle	(27)	-
Transactions with a company in which a Director of the Company, Dr. Edmond Fernandez has interest:		
Klinik Elopura Sdn. Bhd.		
- Medical expenses	31	29
- Rental income	(7)	(7)
Transactions with a company in which a Director of the Company, Tan Sri Dato' Sri Koh Kin Lip, JP has interest:		
Purchase of quarry stones from Sukau Quarry Sdn. Bhd.	48	24

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

33. Related party transactions (cont'd)

(a) Sale and purchase of goods and services (cont'd)

	2016 RM'000	2015 RM'000
Company		
Transactions with subsidiaries:		
Purchasing handling expenses	17	16
Interest expense on advances and related charges	1,179	1,021
Interest income on advances	(29,554)	(20,185)
Hotel room expenses	19	12
Management fee income	(9,128)	(8,586)
Rental expense on premises	130	120
Transportation expenses	53	39

(b) Compensation of key management personnel

The remuneration of Directors who are also the members of key management during the year was as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive Directors' remuneration (Note 10)	4,616	4,753	4,616	4,709

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

34. Fair value of financial instruments

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	22
Loans and borrowings	25
Trade and other payables	26

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date or the impact of discounting is immaterial.

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; and
- The estimated loss exposure if the party guaranteed were to default.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

35. Financial risk management objectives and policies

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

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Finance Department overseen by an Executive Director. 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 years, that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost- efficient. The Group and the Company do 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 defaults 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 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; and
- The corporate guarantees provided by the Company to the banks at a nominal amount of RM236,794,000 (2015: RM88,022,000) to secure banking facilities granted to subsidiaries and a related company as disclosed in Note 26(d).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2016		2015	
	RM'000	% of total	RM'000	% of total
By industry sectors:				
Plantation and mill	7,929	92%	8,296	94%
Hotel	724	8%	557	6%
Fishery	1	0%	1	0%
	8,654	100%	8,854	100%

At the reporting date:

- 57% (2015: 71%) of the Group's trade receivables were due from 3 (2015: 4) major customers which are subsidiaries of well-established listed plantation group in Malaysia; and
- almost all (2015: almost all) of the Company's trade and other receivables were balances with related parties.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 22. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 22(a) and 22(e).

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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 objectives are to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness. At the reporting date, approximately 47% and 44% (2015: 45% and 43%) of the Group's and the Company's loans and borrowings respectively will mature in less than one year based on the carrying amounts reflected in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
Financial liabilities				
2016				
Trade and other payables	44,144	68,132	-	112,276
Loans and borrowings	175,771	135,432	71,122	382,325
Total undiscounted financial liabilities	219,915	203,564	71,122	494,601
2015				
Trade and other payables	76,994	-	-	76,994
Loans and borrowings	186,303	161,698	94,630	442,631
Total undiscounted financial liabilities	262,297	161,698	94,630	519,625
Company				
Financial liabilities				
2016				
Trade and other payables	298,197	-	-	298,197
Loans and borrowings	125,800	107,386	61,675	294,861
Total undiscounted financial liabilities	423,997	107,386	61,675	593,058
2015				
Trade and other payables	206,824	-	-	206,824
Loans and borrowings	142,158	129,314	78,598	350,070
Total undiscounted financial liabilities	348,982	129,314	78,598	556,894

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of 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 and advances at floating rates given to/from related parties. The Company's advances at floating rate given to/from related parties form a natural hedge for its floating rate bank loans. All of the Group's and of the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of at least one month from the reporting date.

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

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 (2015: 25) basis points lower/higher, with all other variables held constant, the Group's and the Company's profit/(loss) net of tax would have been RM657,000 (2015: RM726,000) and RM507,000 (2015: RM576,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on external floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

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

The functional currencies of the Group entities are RM and Indonesian Rupiah ("IDR"). The Group and the Company hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in United States Dollar ("USD")) amounted to RM5,441,000 (2015: RM1,010,000) and RM5,441,000 (2015: RM879,000) for the Group and the Company respectively.

The Group is exposed to currency translation risk arising from its net investment in Indonesian subsidiaries. The Group's net investment in Indonesia subsidiaries is not hedged as currency position in IDR is considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and of the Company's profit/(loss) net of tax to a reasonably possible change in the USD and IDR exchange rates against the respective functional currency of the Group entities, with all other variables held constant.

		Profit/(loss) net tax			
		Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
RM/USD	- strengthened 5%	272	43	272	43
	- weakened 5%	(272)	(43)	(272)	(43)
RM/IDR	- strengthened 5%	36	35	1	1
	- weakened 5%	(36)	(35)	(1)	(1)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

36. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is total loans and borrowings less cash and bank balances divided by equity attributable to equity owners of the parent. The Group's policy is to maintain the Group's net gearing ratio at an acceptable level with reference to the loan covenants imposed by lending banks.

The calculation of the Group's and Company's gearing ratios is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loans and borrowings (Note 25)	347,677	388,211	267,072	307,427
Less: Cash and bank balances (Note 23)	(14,723)	(8,043)	(7,374)	(2,607)
	332,954	380,168	259,698	304,820
Equity attributable to the equity holders of the parent	371,487	306,492	194,125	158,322
Net gearing ratio	90%	124%	134%	193%

37. Segment information

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

(a) The plantation and milling segment is involved in cultivation and sale of oil palm products.
(b) The fishery segment is involved in fish rearing, hatchery and sale of fishes.
(c) The hotelier segment is involved in hotel operations.
(d) The corporate segment is involved in Group-level corporate services, treasury and purchasing functions and business investments.

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

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

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

37. Segment information (cont'd)

2016	Plantation and milling RM'000	Fishery RM'000	Hotelier RM'000	Corporate RM'000	Adjustments and eliminations RM'000	Notes	Per consolidated financial statements RM'000
Revenue:							
External customers	280,131	-	7,401	-	-		287,532
Inter-segment	-	-	19	9,128	(9,147)	A	-
Total revenue	280,131	-	7,420	9,128	(9,147)		287,532
Results:							
Interest income	(69)	-	(26)	(7,533)	-		(7,628)
Depreciation and amortisation	12,322	305	1,301	163	-	B	14,091
Other non-cash expenses	1,751	109	-	48	-	C	1,908
Segment profit/(loss) before tax	68,410	(182)	293	-	(13,500)	D	55,021
Assets:							
Additions to non-current assets	59,975	-	61	62	-	E	60,098
Segment assets	834,591	6,030	34,817	14,009	1,700	F	891,147
Segment liabilities	124,153	71	799	12,394	380,339	G	517,756

NPC Resources Berhad

37. Segment information (cont'd)

2015	Plantation and milling RM'000	Fishery RM'000	Hotelier RM'000	Corporate RM'000	Adjustments and eliminations RM'000	Notes	Per consolidated financial statements RM'000 (Restated)
Revenue:							
External customers	309,006	1,672	7,080	-	-		317,758
Inter-segment	-	-	12	8,586	(8,598)	A	-
Total revenue	309,006	1,672	7,092	8,586	(8,598)		317,758
Results:							
Interest income	(745)	(1)	-	(49)	-		(795)
Depreciation and amortisation	10,377	332	1,301	86	-	B	12,096
Other non-cash expenses	1,291	49	-	19,853	-	C	21,193
Segment profit/(loss) before tax	23,209	(467)	(451)	-	(30,712)	D	(8,421)
Assets:							
Additions to non-current assets	94,903	-	771	61	-	E	95,735
Segment assets	756,187	6,456	34,898	6,760	4,908	F	809,209
Segment liabilities	66,639	94	1,131	9,551	424,412	G	501,827

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

37. Segment information (cont'd)

A Inter-segment revenues are eliminated on consolidation.

B Depreciation and amortisation consist of:

	Note	2016 RM'000	2015 RM'000
Property, plant and equipment	8	13,576	11,917
Biological assets	8	-	2
Investment property	8	40	40
Land use rights	8	475	137
		14,091	12,096

C Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2016 RM'000	2015 RM'000
Impairment loss on trade receivables	8	1	11
Impairment loss on other receivables	8	517	7,783
Impairment on land use rights	8	1,156	-
Property, plant and equipment written off	8	186	521
Unrealised loss on foreign exchange	8	48	12,878
		1,908	21,193

D The following items are deducted from segment profit/(loss) to arrive at "Profit/(loss) before tax" presented in the statements of comprehensive income:

	Note	2016 RM'000	2015 RM'000
Finance costs	7	8,674	2,549
Unallocated corporate expenses		4,826	28,163
		13,500	30,712

E Additions to non-current assets consist of:

	Note	2016 RM'000	2015 RM'000
Property, plant and equipment	14	16,061	27,219
Biological assets	17	43,613	64,804
Land use rights	16	424	3,712
		60,098	95,735

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

37. Segment information (cont'd)

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

	Note	2016 RM'000	2015 RM'000
Deferred tax assets	28	382	398
Tax recoverable		1,318	4,510
		1,700	4,908

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

	Note	2016 RM'000	2015 RM'000
Deferred tax liabilities	28	31,028	35,737
Tax payable		1,634	464
Loans and borrowings	25	347,677	388,211
		380,339	424,412

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	279,589	316,830	352,226	355,912
Indonesia	7,943	928	301,172	253,809
	287,532	317,758	653,398	609,721

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

37. Segment information (cont'd)

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2016 RM'000	2015 RM'000
Property, plant and equipment	264,161	274,365
Investment property	1,097	1,137
Land use rights	30,492	30,749
Biological assets	352,716	298,538
Intangible assets	4,932	4,932
	653,398	609,721

Information about major customers

Revenue from four (2015: four) major customers amount to RM251,142,000 (2015: RM293,780,000) arising from sale of crude palm oil and palm kernel by the plantation and mill segment.

38. Significant events

(a) On 11 February 2015, the Company announced to Bursa Malaysia Securities Berhad that the Company via its wholly owned subsidiary, Miasa Plantation Sdn. Bhd. ("Miasa") had entered into the following agreements:

(i) Miasa has entered into a conditional share and warrant subscription agreement with Cstone Financial Holdings Ltd ("CStone") and PT Sawit Nusantara Makmur Utama ("SNMU") for the proposed subscription by Miasa of 23,201 new ordinary shares with nominal value of IDR10,000 each in SNMU ("SNMU Class B Shares") representing approximately 53.50% equity interest of the enlarged subscribed and paid-up share capital of SNMU and warrants that are exercisable into 15,869,484 new SNMU Class B Shares for a cash consideration of IDR232.01 million or equivalent to approximately *RM66,000 ("CSWA Subscription").

The SNMU Class B Shares will have a nominal value of IDR10,000 and shall bestow their respective owners the equal rights to:

(i) attend and cast votes in a general meeting of shareholders;

(ii) receive payment of dividends and the remainder of assets from liquidation; and

(iii) exercise other rights under the prevailing laws and regulations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (cont'd)

38. Significant events (cont'd)

(a) (ii) Permata Alam Sdn. Bhd. ("Permata'), Miasa, PT Enggang Alam Sawita ("Enggang") and PT Nala Palma Cadudasa ("Nala") entered into a conditional share subscription agreement ("CSSA") with SNMU for the proposed subscription by SNMU of 95% of the enlarged equity interest in Nala and Enggang respectively (collectively referred to as the "Final NPC Indon Subsidiaries") for a total cash consideration of IDR242,546.24 million or equivalent to approximately *RM68.50 million for the purpose of internal restructuring by transferring the shareholdings of the Final NPC Indon Subsidiaries from Permata and Miasa to SNMU ("Proposed Restructuring").

Permata is a wholly owned subsidiary of the Company and the holding company of Enggang while Miasa is a wholly owned subsidiary of the Company and the holding company of Nala.

The Final NPC Indon Subsidiaries have been identified for the inclusion in the Proposed Restructuring after the completion of the post valuation adjustments pursuant to the proposed NPC indon subsidiaries shares subscriptions.

(iii) Miasa has entered into a post-closing conditional share and warrant subscription agreement with SNMU ("Post Closing CSWA") for the proposed subscription by Miasa of additional 41,693 new SNMU Class B Shares and new warrants that are exercisable for 28,518,012 new SNMU Class B Shares for a cash consideration of IDR416,930,000 or equivalent to approximately *RM118,000 for the purpose of increasing Miasa's shareholdings in SNMU to approximately 73.81% upon completion of the Post Closing CSWA ("Post Closing Subscription").

(iv) Miasa has entered into a shareholders' agreement with SNMU and Cstone to set out the administrative and operational procedures for SNMU after the completion of CSWA Subscription and Post Closing Subscription pursuant to the CSWA, CSSA and Post Closing CSWA ("Shareholders Agreement").

CSWA Subscription, Proposed Restructuring and Post Closing Subscription are collectively referred to as the "Proposals". These Proposals are currently in the process of finalisation.

(Note *: Based on the exchange rate of RM1.00:IDR3,541 as at 5 February 2015)

(b) The details relating to the proposed disposal of SROPP and ATSB land are disclosed in Note 24.

39. 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 14 April 2017.

SUPPLEMENTARY INFORMATION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

40. 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 and 2015 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.

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Total retained earnings of the Company and its subsidiaries				
- Realised	347,047	291,711	31,272	18,357
- Unrealised	30,972	2,263	46,531	20,720
	378,019	293,974	77,803	39,077
Less: Consolidation adjustments	(151,146)	(112,175)	-	-
Retained earnings as per financial statements	226,873	181,799	77,803	39,077

SHAREHOLDINGS STATISTICS
AS AT 31 MARCH 2017

SHARE CAPITAL

Paid-Up & Issued Share Capital	:	120,000,000 (including treasury shares of 3,108,300)
Authorised Share Capital	:	500,000,000
Type of Shares	:	Ordinary shares
No. of shareholders	:	848
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of holdings	No. of Holders	% of Holders	Total Holdings	% of Holdings
1 to 99	43	5.07	581	0.00
100 to 1,000	565	66.63	108,408	0.09
1,001 to 10,000	170	20.05	672,352	0.58
10,001 to 100,000	30	3.54	1,014,751	0.87
100,001 to 5,986,514*	35	4.13	26,651,384	22.80
5,986,515 and above**	5	0.59	88,444,224	75.66
Total	848	100.00	116,891,700	100.00

Notes: * Less than 5% of issued holdings
** 5% and above of issued holdings

SUBSTANTIAL SHAREHOLDERS

According to the Register maintained under Section 144 of the Companies Act 2016, the substantial shareholders' interests in shares of the Company (excluding bare trustees) are as follows:-

	Ordinary shares of RM1.00 each				
	Direct interests	%	Indirect interests		%
Jubilant Ventures Sdn Bhd	38,400,000	32.85	-		-
Tan Sri Dato' Sri Koh Kin Lip, JP	19,783,344	16.92	2,887,350	*1	2.47
Dato' Loo Pang Kee	10,206,906	8.73	38,400,000	*2	32.85
Loo Ngin Kong	6,461,724	5.53	5,358,000	*3	4.58
Wong Siew Ying	2,472,684	2.12	43,758,000	*4	37.43

Notes:

*1: Deemed interest via shareholdings of Rickoh Corporation Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016 and via shareholdings of his daughter, Koh Se Gay, in the Company.

*2: Deemed interest via shareholdings of Jubilant Ventures Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016.

*3: Deemed interest via shareholdings of his children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.

*4: Deemed interest via shareholdings of Jubilant Ventures Sdn Bhd and via shareholdings of her children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.

SHAREHOLDINGS STATISTICS

AS AT 31 MARCH 2017 (cont'd)

DIRECTORS' INTERESTS

According to the Register maintained under Section 59 of the Companies Act 2016, the directors' interests in shares of the Company are as follows:-

	Ordinary shares of RM1.00 each				
	Direct interests	**%**	**Indirect interests**		**%**
Name of Directors					
Loo Ngin Kong	6,461,724	5.53	5,358,000	*1	4.58
Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood	1	0.00	-		-
Dato' Loo Pang Kee	10,206,906	8.73	38,400,000	*2	32.85
Wong Siew Ying	2,472,684	2.12	43,758,000	*3	37.43
Lim Ted Hing	804,000	0.69	-		-
Dr. Edmond Fernandez	150,000	0.13	-		-
Tan Sri Dato' Sri Koh Kin Lip, JP	19,783,344	16.92	2,887,350	*4	2.47
Tan Vun Su	1	0.00	-		-

Notes:

*1: Deemed interest via shareholdings of his children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.

*2: Deemed interest via shareholdings of Jubilant Ventures Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016.

*3: Deemed interest via shareholdings of Jubilant Ventures Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016 and via shareholdings of her children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.

*4: Deemed interest via shareholdings of Rickoh Corporation Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016 and via shareholdings of his daughter, Koh Se Gay, in the Company.

SHAREHOLDINGS STATISTICS
AS AT 31 MARCH 2017 (cont'd)

Thirty (30) Largest Securities Account Holders as at 31 March 2017

No.	Name	No. of Shares Held	%
1	Jubilant Ventures Sdn. Bhd.	25,000,000	21.39
2	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An for DBS Bank Ltd (SFS-PB)	13,592,250	11.63
3	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Jubilant Ventures Sdn. Bhd.	11,900,000	10.18
4	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, JP	6,000,000	5.13
5	Loo Ngin Kong	5,461,724	4.67
6	Maybank Nominees (Tempatan) Sdn. Bhd. Amanahraya Investment Management Sdn. Bhd. for Mutual Yield Sdn Bhd (C318-240203)	5,452,500	4.66
7	Loo Pang Kee	5,109,096	4.37
8	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account – AmBank (M) Berhad for Dato' Loo Pang Kee	5,097,810	4.36
9	Loo Pang Chieng	4,200,000	3.59
10	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, JP	3,750,000	3.21
11	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tan Sri Dato' Sri Koh Kin Lip, JP (MY0502)	3,715,000	3.18
12	Seah Sen Onn @ David Seah	2,820,000	2.41
13	Tan Sri Dato' Sri Koh Kin Lip, JP	2,500,000	2.14
14	Wong Siew Ying	2,372,684	2.03
15	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Junior Koh Siew Hui	2,043,700	1.75
16	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, JP (8058900)	2,000,000	1.71
17	Lai Ming Chun @ Lai Poh Lin	2,000,000	1.71

SHAREHOLDINGS STATISTICS

AS AT 31 MRACH 2017 (cont'd)

Thirty (30) Largest Securities Account Holders as at 31 March 2017 (cont'd)

No.	Name	No. of Shares Held	%
18	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account – AmBank (M) Berhad for Jubilant Ventures Sdn Bhd	1,500,000	1.28
19	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Rickoh Corporation Sdn. Bhd. (MY0507)	1,500,000	1.28
20	Tan Sri Dato' Sri Koh Kin Lip, JP	1,318,344	1.13
21	Loo Ngin Kong	1,000,000	0.86
22	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Rickoh Corporation Sdn. Bhd.	1,000,000	0.86
23	Loo Mun May	749,000	0.64
24	Lim Ted Hing	604,000	0.52
25	Koh Siew Boon	515,800	0.44
26	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, JP (SFC 2)	500,000	0.43
27	Loo Pang How	409,000	0.35
28	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lai Tan Kiong (E-SDK)	352,100	0.30
29	Rickoh Corporation Sdn. Bhd.	317,350	0.27
30	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An For UBS AG Singapore (Foreign)	314,000	0.27

LIST OF PROPERTIES AS AT 31 DECEMBER 2016

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2016 RM	Date Acquired
PLANTATION LAND						
Sabah						
Growth estate, KM 70, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	183.05	99 years lease expiring 31 December 2077 and 31 December 2078	N/A	Oil palm plantation	4,424,447	2002
Soon Tai estate, KM 71, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	38.03	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	1,052,225	2002
Jejco estate, KM 71, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	40.71	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	1,279,015	2002
Bintang estate, KM 71, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	195.47	99 years lease expiring 31 December 2078	N/A	Oil palm plantation	5,294,420	2002
SROPP estate, KM 73, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	224.94	99 years lease expiring 31 December 2077 and 31 December 2080	N/A	Oil palm plantation	5,231,771	2002
Teh estate, KM 75, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	242.81	99 years lease expiring 31 December 2077 and 31 December 2079	N/A	Oil palm plantation	7,286,279	2005

LIST OF PROPERTIES AS AT 31 DECEMBER 2016 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2016 RM	Date Acquired
PLANTATION LAND (cont'd)						
Sabah (cont'd)						
Ballerina estate, KM 80, Sandakan-Telupid-Kota Kinabalu Highway, District of Kinabatangan, Sabah	163.13	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	3,971,757	2002
Sebuda estate, KM 80, Sandakan-Telupid-Kota Kinabalu Highway, District of Kinabatangan, Sabah	316.00	99 years lease expiring 31 December 2078	N/A	Oil palm plantation	6,827,980	2002
Telupid estates, KM 80 & KM 100, Sandakan-Telupid-Kota Kinabalu Highway, Districts of Kinabatangan & Labuk-Sugut, Sabah	1,379.95	99 years lease expiring 31 December 2078	N/A	Oil palm plantation	34,120,861	2002
Berkat estate, Mile 62, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	101.71	99 years lease expiring 31 December 2096	N/A	Oil palm plantation	1,757,988	2002 & 2005
Bonus Indah estate, KM 111, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	999.60	99 years lease expiring 31 December 2091	N/A	Oil palm plantation	25,337,656	2002
Berkat estate, KM 111, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	432.50	99 years lease expiring 31 December 2083 and 31 December 2093	N/A	Oil palm plantation	8,114,983	2002
Kian Merculaba estate, KM 113, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	498.40	99 years lease expiring 31 December 2091	N/A	Oil palm plantation	8,399,221	2003

LIST OF PROPERTIES AS AT 31 DECEMBER 2016 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2016 RM	Date Acquired
PLANTATION LAND (cont'd)						
Sabah (cont'd)						
Sinar Ramai estate, KM 143, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	192.30	99 years lease expiring 31 December 2086	N/A	Oil palm plantation	4,642,745	2002
Intan Ramai estate, KM 143, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	228.10	99 years lease expiring 31 December 2086	N/A	Oil palm plantation	4,289,084	2002
Deltafort estate, KM 87, Segaliud Lokan, District of Kinabatangan, Sabah	400.30	99 years lease expiring 31 December 2087	N/A	Oil palm plantation & plantable reserve	8,175,112	2002
SROPP estate, KM87, Segaliud Lokan, District of Kinabatangan, Sabah #	40.47	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	1,117,170	2002
SROPP estate, KM30 Labuk Road, District of Sandakan, Sabah	39.02	99 years lease expiring 31 December 2060	N/A	Oil palm plantation	1,484,399	2002
Permata Alam estate, KM87, Sandakan-Lahad Datu Highway, District of Kinabatangan, Sabah	200.30	99 years lease expiring 31 ecember 2085	N/A	Oil palm plantation	5,701,054	2003
Sungai Kenali estate, KM87, Sandakan-Lahad Datu Highway, District of Kinabatangan, Sabah	197.90	99 years lease expiring 31 December 2085	N/A	Oil palm plantation	3,461,414	2003
Banggi estate, CL055324797 & PL056290085, Pulau Banggi District of Kudat, Sabah	4,008.82	99 years lease expiring 31 December 2068	N/A	Oil palm plantation	99,012,354	2012

Remarks : # - This property is disclosed as assets held for sale in the financial statements. Disposal was completed on 3rd March 2017.

LIST OF PROPERTIES AS AT 31 DECEMBER 2016 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2016 RM	Date Acquired
PLANTATION LAND (cont'd)						
Indonesia						
Enggang Estates Kecamatan Tabang and Kembang Janggut, Kabupaten Kutai Kartanegara, Kalimantan Timur, Indonesia	8,482.30	35 years HGU expiring 8 February 2045	N/A	Oil palm plantation	41,809,323	2010
Nala Estates Desa Senambah, Mulupan, Ngayau, Muara Bengkal and Benua Baru, Kecamatan Muara Bengkal, Kabupaten Kutai Timur, Kalimantan Timur, Indonesia	14,792.53	35 years HGU expiring 22 November 2045	N/A	Oil palm plantation	143,679,227	2013
OTHER LANDED PROPERTIES						
Sabah						
Ballerina, 2 adjoining double storey shophouses with a built-up area of 782.13m², Lot 8 & 9, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	395.55m²	999 years lease expiring 9 July 2887	42	Office buildings	823,604	2002
Ballerina, 1 double storey shophouse with a built-up area of 391.07m², Lot 11, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	197.78 m²	999 years lease expiring 9 July 2887	42	Office building	252,300	2003

LIST OF PROPERTIES AS AT 31 DECEMBER 2016 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2016 RM	Date Acquired
OTHER LANDED PROPERTIES (cont'd)						
Sabah (cont'd)						
Berkat, 1 double storey detached house, Lot 134, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	11,120 sq ft	999 years lease expiring 9 July 2887	34	Employees' accomo-dation	541,501	2007
SROPP palm oil mill with a built-up area of 6,232m^2, KM 87, Segaliud-Lokan, Sandakan-Lahad Datu Highway, District of Kinabatangan, Sabah #	35.39	99 years lease expiring 31 December 2077	22	Palm oil mill	4,451,536	2002
Berkat palm oil mill, with a built-up area of 4,193.80m^2, KM 70, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	4.05	60 years lease expiring 31 December 2044	31	Palm oil mill	5,313,936	2002
Palace Hotel, 8 storey hotel building with 151 rooms and ancillary buildings together with hotel facilities, an open car park for visitors and a staff quarter with total floor area of 8,673 m^2, No. 1, Jalan Tangki, Karamunsing, Kota Kinabalu, Sabah	1.789	999 years lease expiring 31 December 2907, 12 June 2913 and 2 October 2915 and 99 years lease expiring 28 April 2065	22	Hotel	29,196,104	2007 & 2008
Better Prospects, Sungai Obar, Mile 7, Off Airport Road, 90000 Sandakan, Sabah	16.31	99 years lease expiring 31 December 2077	8	Fish ponds, hatchery & nursery building	5,500,403	2007, 2008 & 2012

Remarks : # - This property is disclosed as assets held for sale in the financial statements. Disposal was completed on 3rd March 2017.

LIST OF PROPERTIES AS AT 31 DECEMBER 2016 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2016 RM	Date Acquired
OTHER LANDED PROPERTIES (cont'd)						
Sabah (cont'd)						
Sungai Kenali, a single storey bungalow, House No. 440, Jalan Sang Kancil Satu, Turnbull Place, Off Jalan Tuaran, District of Kota Kinabalu, Sabah	0.18 acres	99 years lease expiring 02 November 2058		Employees' accomo-dation	1,290,538	2014
Sungai Kenali, 1 parcel of land at Kg. Kapayan, District of Penampang, Sabah	1.00 acres	Sublease expiring 11 June 2045	N/A	Vacant	3,487,609	2015
Indonesia						
Nala Mill Desa Senambah, Kec. Muara Bengkal, Kabupaten Kutai Timur, Kalimantan Timur, Indonesia	30	Pending issuance HGB	1	Palm oil mill	43,274,039	Cons-truction completed in June 2016
OTHER INVESTMENT PROPERTY						
Sabah						
Sungai Kenali, 1 parcel of land at Kg. Kapayan, District of Penampang, Sabah	0.72 acres	Sublease expiring 08 June 2044	N/A	Rental	1,096,770	2014
TOTAL					**521,698,825**	

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PROXY FORM

I/We, ____

of ____

being a member/members of NPC RESOURCES BERHAD, hereby appoint ______________________

of ____

or failing him, ____

of ____

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Seventeenth Annual General Meeting of the Company, to be held at the Conference Room 3, 6th Floor, The Palace Hotel, No. 1, Jalan Tangki, Karamunsing, 88100 Kota Kinabalu, Sabah, on Thursday, 25 May 2017 at 10.00 am or any adjournment thereof.

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

No.	Agenda			
1	To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon.			
		Resolution	FOR	AGAINST
2	To declare a final single tier dividend of 1 sen per share.	1		
3 (a)	To re-elect Dr. Edmond Fernandez as Director.	2		
(b)	To re-elect Tan Sri Dato' Sri Koh Kin Lip, JP as Director.	3		
4 (a)	To re-appoint Mr. Loo Ngin Kong as Director.	4		
(b)	To re-appoint Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood as Director.	5		
5	To approve the payment of Directors' fees	6		
6	To approve the payment of allowances to Non-Executive Directors	7		
7	To re-appoint Messrs Ernst & Young as Auditors and to authorize the Directors to fix their remuneration.	8		
8 (a)	To retain Dr. Edmond Fernandez as Independent Non-Executive Director.	9		
(b)	To retain Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood as Independent Non-Executive Director.	10		
(c)	To retain Mr. Lim Ted Hing as Independent Non-Executive Director.	11		
9	Authority to issue shares pursuant to Section 76 of the Companies Act 2016.	12		
10	Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	13		
11	Proposed Renewal of Share Buy-Back Authority.	14		

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

Dated this _______ day of ___________ 2017

NO. OF SHARES HELD	

____

Signature(s) of Member(s)

Notes:

a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.

b) A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same Meeting, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

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

d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, either under its Common Seal or the hands of its officers or attorney duly authorised.

e) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah, not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

Fold this flap for sealing

Affix
Stamp

The Company Secretary
NPC RESOURCES BERHAD (Company No. 502313-P)
Lot 9, T3
Taman Tshun Ngen
Mile 5, jalan Labuk
90000 Sandakan
Sabah

Then fold here

NPC Resources Berhad
Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk,
90000 Sandakan, Sabah, MALAYSIA
T: 6 089 274 488 **F**: 6 089 226 711 **E**: info@npc.com.my
www.npc.com.my