AR'17
ANNUAL REPORT

PLS PLANTATIONS BERHAD
Company No. 160032-K

# CONTENTS



# NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirtieth Annual General Meeting of the Company will be held at **Kiara Room, Sri Damansara Club, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur** on **Wednesday, 27th September 2017** at **10.30 a.m.** for the following purposes:-

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 March 2017 together with the Reports of the Directors and the Auditors thereon. — **Please refer to Explanatory Note (i)**

## ORDINARY BUSINESS

2. To approve the payment of Directors' Fees for the financial year ended 31 March 2017. — **Resolution 1**

3. To approve the payment of Directors' Benefits up to an amount of RM12,000.00 from 1 April 2017 until the next Annual General Meeting of the Company. — **Resolution 2**

4. To re-elect the following Directors who retire in accordance with Article 82 of the Company's Article of Association:-

   a) Mr Lee Hun Kheng — **Resolution 3**
   b) Miss Kang Hui Ling — **Resolution 4**

5. To re-appoint Dato' Haji Ibrahim Bin Haji Keling as a Director of the Company. — **Resolution 5**

6. To re-appoint Messrs. Baker Tilly Monteiro Heng as auditors of the Company and to authorise the Directors to fix their remuneration. — **Resolution 6**

## SPECIAL BUSINESS

7. **Continuing In Office As Independent Non-Executive Directors**

   **"THAT** subject to the passing of Resolution 5, approval be and is hereby given for Dato' Haji Ibrahim Bin Haji Keling who has 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." — **Resolution 7**

   **"THAT** approval be and is hereby given for Encik Hisham Bin Mahmood who has 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." — **Resolution 8**

   **"THAT** subject to the passing of Resolution 4, approval be and is hereby given for Miss Kang Hui Ling who has 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." — **Resolution 9**

8. **Authority to Issue Shares pursuant to Section 75 and 76 of the Companies Act 2016** — **Resolution 10**

   **"THAT** subject always to the Companies Act 2016, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered pursuant to Section 75 and 76 of the Companies Act 2016 to issue shares in the Company, from time to time to such persons and 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 does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad.

   **AND THAT** such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

# NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

9. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** **Resolution 11**

   **"THAT** authority be and is hereby given pursuant to paragraph 10.09 and Practice Note 12 of the Bursa Malaysia Main Market Listing Requirements for the Company and its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature as set out in paragraph 3.4 of the Circular to Shareholders dated 31 July 2017 with the related parties listed in paragraph 3.3 which are necessary for the day-to-day operations, in the ordinary course of business, made at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those normally available to the public and are not to the detriment of the minority shareholders; **AND THAT** the authority conferred by this Mandate shall commence immediately upon the passing of this resolution and is subject to annual renewal. In this respect the authority shall only continue to be in force until:-

   i. the conclusion of the next Annual General Meeting of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at that Annual General Meeting;

   ii. the expiration of the period within which the next Annual General Meeting after the date, it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but not extending to such extensions as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

   iii. revoked or varied by resolution passed by the shareholders in general meeting,

   whichever is the earlier".

10. To transact any other business for which due notice have been given in accordance with the Articles of Association of the Company and the Companies Act 2016.

By Order of the Board

**LIM THIAM WAH,** ACIS
**CHUA HOON PING,** ACIS
JOINT SECRETARIES

PETALING JAYA
31 JULY 2017

**Notes:**

1. Only depositors whose names appear in the General Meeting Record of Depositors on 20 September 2017 shall be eligible to vote, speak and attend the Meeting.
2. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the meeting provided that where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. For an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
5. To be valid, this proxy form, duly completed must be deposited at the Registered Office not less than forty eight (48) hours before the time for holding the meeting or any adjournment thereof.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securites Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

# NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

**EXPLANATORY NOTE :-**

(i) This Agenda is meant for discussion only as under the provisions of Section 340(1) of the Companies Act 2016, the Audited Financial Statements do not require formal approval of the shareholders and hence, the matter will not be put forward for voting.

(ii) Ordinary Resolution 5 - To re-appoint Dato' Haji Ibrahim Bin Haji Keling as a Director of the Company

Dato' Haji Ibrahim Bin Haji Keling who was re-appointed as a Director pursuant to Section 129 of the Companies Act, 1965 at the last Annual General Meeting to hold office until the conclusion of the forthcoming Annual General Meeting has, being eligible, offered himself for re-appointment as a Director.

The Resolution 5 if passed, will enable Dato' Haji Ibrahim Bin Haji Keling to continue to act as Director of the Company and he shall subject to retirement by rotation at a later date.

**SPECIAL BUSINESS**

(iii) Resolution 7 to 9 – Continuing in office as Independent Non-Executive Directors

The Malaysian Code on Corporate Governance 2012 recommended that approval of shareholders be sought in the event that the Company intends to retain an Independent Director who has served in that capacity for more than 9 years.

The Board has assessed and recommended that Dato' Haji Ibrahim Bin Haji Keling, Encik Hisham Bin Mahmood and Miss Kang Hui Ling who has each served as Independent Non-Executive Director of the Company for more than 9 years, to continue to act as Independent Non-Executive Directors, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

Key justifications for their recommended continuance as Independent Non-Executive Directors are as follows:-

a. They fulfill the independent director criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and, therefore, are able to bring independent and objective judgement to the Board;
b. Their relevant experience and expertise as set out in their respective profiles on Page 12 and 13 in the Annual Report would enable them to provide the Board with pertinent and a diverse set of expertise, skills and competence and thus all matters tabled to the Board for consideration are well reviewed and deliberated; and
c. Their long service with the Company enhances their knowledge and understanding of the business operations of the Group which enable them to contribute actively and effectively during deliberations or discussion at Audit Committee and Board meetings.

(iv) The proposed Resolution 10 if passed, will empower the Directors of the Company to issue and allot shares in the Company up to an aggregate amount not exceeding ten per centum (10%) of the total number of issued shares of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting. As at the date of this notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual Meeting held on 21 September 2016 and which will lapse at the conclusion of the Thirtieth Annual General Meeting. The general mandate will provide flexibility to the Company for any possible fund raising activities including but not limited for further placing of shares for purpose of funding future investment(s), working capital and/or acquisitions.

(v) The proposed Resolution 11 if passed, will authorise the Group to enter into recurrent related party transactions as specified in the Circular to Shareholders dated 31 July 2017, provided that such transactions are of a revenue or trading nature which are necessary for the Group's day-to-day operations and are in the ordinary course of business made at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

**Particulars of Directors who are standing for election at the Thirtieth Annual General Meeting.**

There is no director standing for election at the Thirtieth Annual General Meeting.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Tan Sri Dato' Lim Kang Yew**
(Managing Director)

**Mr Lee Hun Kheng**
(Executive Director)

**Encik Abd Razak Bin Mohd Yusoff**
(Non-Independent Non-Executive Director)

**Tan Sri Dato' Lim Kang Hoo**
(Non-Independent Non-Executive Director)

**Dato' Lim Kang Poh**
(Non-Independent Non-Executive Director)

**Puan Norliza Binti Suleiman**
(Non-Independent Non-Executive Director)

**Dato' Haji Ibrahim Bin Haji Keling**
(Senior Independent Non-Executive Director)

**Encik Hisham Bin Mahmood**
(Independent Non-Executive Director)

**Miss Kang Hui Ling**
(Independent Non-Executive Director)

**Mr Lim Guan Shiun**
(Alternate Director to Dato' Lim Kang Poh)

## COMPANY SECRETARIES

Mr Lim Thiam Wah, ACIS
Ms Chua Hoon Ping, ACIS

## AUDIT COMMITTEE

Dato' Haji Ibrahim Bin Haji Keling (Chairman)
Miss Kang Hui Ling (Member)
Encik Hisham Bin Mahmood (Member)
Puan Norliza Binti Suleiman (Member)

## SHARE REGISTRAR

Sectrars Management Sdn Bhd
Lot 9-7, Menara Sentral Vista
No.150, Jalan Sultan Abdul Samad Brickfields,
50470 Kuala Lumpur

Tel : 03-2276 6138
Fax : 03-2276 6131

## AUDITOR

Baker Tilly Monteiro Heng
Chartered Accountants (AF 0117)
An Independent Member of
Baker Tilly International
Baker Tilly MH Tower,
Level 10, Tower 1, Avenue 5,
Bangsar South City,
59200 Kuala Lumpur

Tel : 03-2297 1000
Fax : 03-2282 9980

## REGISTERED OFFICE

Unit 9-01, Level 9, Menara TSR,
No.12, Jalan PJU 7/3, Mutiara Damansara,
47810 Petaling Jaya,
Selangor Darul Ehsan.

Tel : 03-7717 5888 (Hunting Line)
Fax : 03-7717 5878

## PRINCIPAL BANKERS

Agro Bank Bhd
RHB Bank Bhd
Public Bank Bhd
Ambank (M) Bhd
Malayan Banking Bhd

## STOCK EXCHANGE

Bursa Malaysia Securities Berhad
(Main Market)
Sector : Plantation

Stock Name : PLS
Stock Code : 9695

## COMPANY WEBSITE

www.limbongan.com

# MANAGING DIRECTOR'S STATEMENT

**On behalf of the Board of Directors of PLS Plantations Berhad, I am pleased to present the Annual Report of the Company and the Group for the financial year ended 31 March 2017.**

## INDUSTRIAL TRENDS AND DEVELOPMENT

The global economy expanded in the first quarter of 2017 with growth emanating mainly from emerging and developing economies attributed to higher global demand and improving commodity prices. Meanwhile, advanced economies performed better during the quarter, supported by stable domestic demand.

The Malaysian economy registered a strong growth of 5.6% during the first quarter of 2017 as compared to 4.1% in the previous quarter, mainly supported by higher domestic demand. On the supply side, the growth was broad-based with all sectors registering positive growth.

The construction sector increased 6.5% during the first quarter of 2017 (Q1 2016: 8%) driven by higher civil engineering activities. The residential buildings subsector expanded 7% (Q1 2016: 4.9%), attributed to construction of high-end service apartments and affordable housing projects, particularly in Klang Valley and Johor. For the ownership of the projects, private sector continued to propel the construction activity as compared with public sector. The agriculture sector rebounded and posted a strong growth of 8.3% during first quarter of 2017 (Q1 2016: -3.8%) spurred by higher value-added of oil palm and rubber subsectors. Both subsectors recovered with a double-digit growth, attributed to higher yields, amid high commodity prices.

# MANAGING DIRECTOR'S STATEMENT

## INDUSTRIAL TRENDS AND DEVELOPMENT (CONT'D)

The Malaysian economy is expected to remain on its growth trajectory in the second quarter of 2017. The growth will be supported primarily by domestic demand. Private sector expenditure will remain the key driver of growth attributed to strong household spending and investment activities. On the supply side, growth will be largely contributed by expansion in services and manufacturing sectors. Labour market is expected to remain stable while inflation continues to be manageable.

(Source: Malaysian Economic Report 1st Quarter 2017)

## FINANCIAL RESULTS

For the financial year ended 31 March 2017, the Group registered higher revenue of RM71.4 million as compared to RM34.4 million in the previous year. As a result, the Group recorded a lower pre-tax loss of RM11.7 million as compared to RM20.6 million attained in financial year 2016.

The significant improved in revenue, contributed from both the plantation and construction segments was able to offset the higher plantation operation costs incurred during the year resulted in a lower Group pre-tax loss as compared to the preceding year corresponding period.

The overview of Group's financial performance is further elaborated under the Management Discussion and Analysis section.

## CORPORATE DEVELOPMENT

The Company has not implemented any new corporate proposal during the financial year ended 31 March 2017. However, the Board will continue to look into means to improve on the current operations and seek other related business and investment opportunities to improve the Group's performance.

## PROSPECT

The Group's headwind is focusing on its core plantations businesses especially oil palm plantation being its main contributor. As at 31 March 2017, the Group had a total of 11,000 ha of cultivated oil palm and the total Fresh Fruit Bunches (FFB) production volume is estimated to double by the year 2020. In line with the Group's objective to value add the plantation business, venturing into a palm oil mill will be the next milestone for the Group's downstream activity to further enhance Group's income.

As we are geared towards realising our milestone, a consulting firm has been engaged to provide consultancy services on the feasibility study of setting up a palm oil mill, the design plans and capacity as well as a strategic location within a stone's throw from the oil palm cultivated area.

The Group is also eyeing the possibility of increasing its plantation land bank to complement its existing oil palm cultivation and confident that it will continue to generate a recurring and sustainable income to the Group performance.

Meanwhile, the Group embarked into rubber (Timber Latex) plantation under a sub-development agreement for a period of 30 years with an option to extend further for a period of 30 years in different phases on a forest plantation area in the State of Johor. The rubber plantation development, despite its high working capital and labour intensive requirements, is expected to generate a higher return per hectare to the Group in the long term as compared to Acacia plantation.

New strategic alliances with both local and multi-national companies that are in line with the group's expansion objective will be considered for future investment and development but the Group is mindful of the need to be selective and doing them at the right time, whilst conserving capital.

As for the construction arm, the Group will continue their efforts to tender for any new viable construction contracts and/or negotiated contracts opportunities arises from both the private and public sector, in line with the continuing implementation of projects under the 11MP initiated by the Government.

Barring any unforeseen adverse factors, the Board is optimistic that the Group's performance for the forthcoming financial year would be challenging. The Board is confident that as more young palms attained prime maturity then the FFB production and its yield will increase subsequently. The Board foresees an improvement in the Group's performance if the Crude Palm Oil price continues to improve substantially.

## APPRECIATION

On behalf of the Board of Directors and Management, I would like to express my sincere thanks to my fellow directors, management team and staff for their collective commitments and undivided contributions to the Group during the year.

My sincere gratitude and appreciation to all our loyal shareholders, bankers, business associates, consultants and contractors as well as relevant government authorities for their continuing support, confidence and trust in the Group.

**TAN SRI DATO' LIM KANG YEW**
**Managing Director**

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW OF BUSINESS AND OPERATION

The Group is primarily engaged in the management and operation of forest plantation, oil palm plantation and construction; and the effective ownership interest of the subsidiaries Company's activities are as follows:-

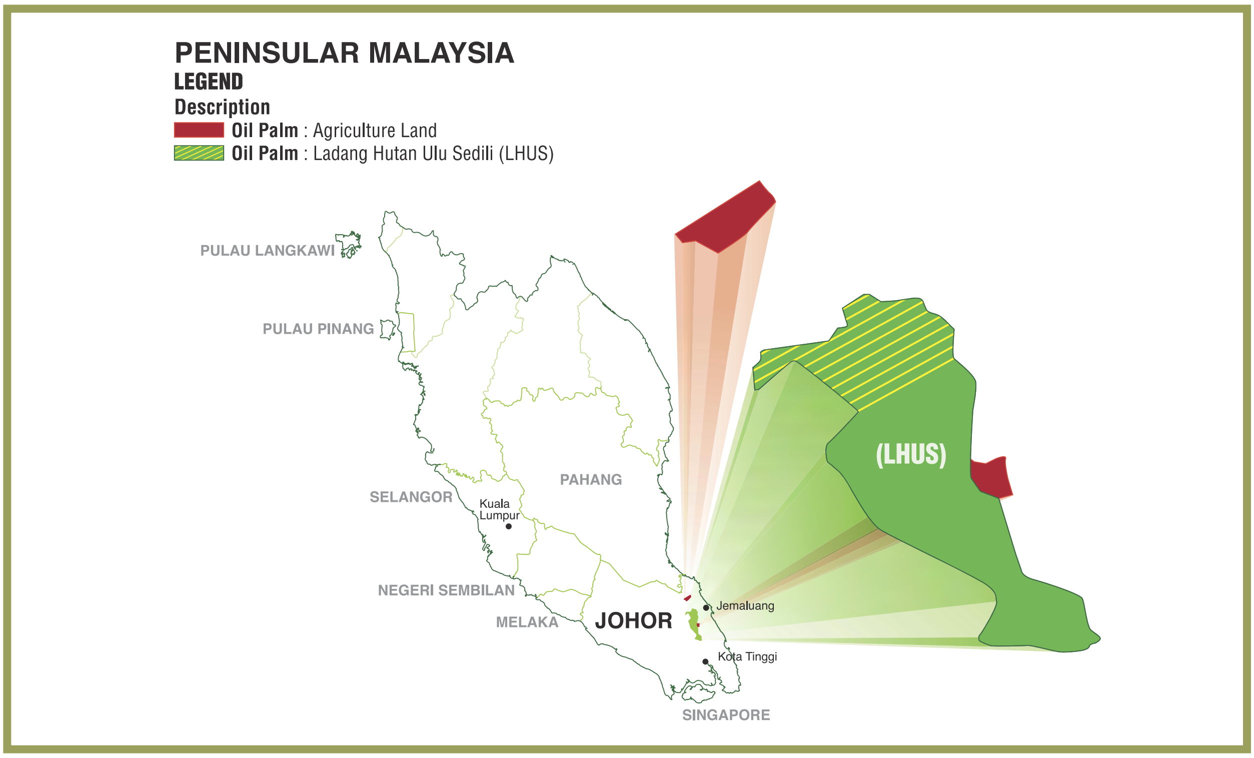
| No. | Name of Company | Principal Activities | Effective Ownership Interest (%) |
|---|---|---|---|
| 1. | Aramijaya Sdn Bhd | (a) Management and operation of a forest plantation:-<br>(i) logging and replanting of forest tree species<br>(ii) saw milling and chipping<br>(b) Oil palm plantation | 70 |
| 2. | Ikhlasi Bina Sdn Bhd | (c) Civil engineering and construction works | 100 |

Our 70% owned subsidiary, Aramijaya Sdn Bhd (Aramijaya) is principally involved in the management, operation and maintenance of Ladang Hutan Ulu Sedili (LHUS), a Forest Plantation project that covers a total area of 35,223 hectares (ha), situated within the district of Kota Tinggi and Mersing in the State of Johor, Malaysia. Aramijaya commenced its business operation in Year 2002.

With the approved forest plantation management practices (commonly known as Forest Management Plan) and support from the Johor State Forestry Department, Aramijaya has developed a sustainable management of supply chains from harvesting of planted forest to processed-timber products that ensure quality and production efficiency.

Under the sustainable forest management concept, Aramijaya adopts the practice of Agroforestry to maximise land use in LHUS through crop diversification. The Project Land has been dominated by Acacia Mangium but other crops such as Oil Palm, Timber Latex Clone (TLC) and Karas were also cultivated in LHUS. In 2006, Aramijaya obtained approval from the Johor State Government to plant approximately 9,415 ha of oil palm within the LHUS Project Land.

The State Government has alienated the two (2) agricultural lands in 2006 and 2007 respectively, which are located in Mukim Tenglu and Mersing area measuring to a total area of 2,840 ha to YPJ Holdings Sdn Bhd (YPJH) on a 99-year leasehold. The lands were then subleased to Aramijaya for development of oil palm plantation, thus making a total of 12,255 ha oil palm plantation land as shown in the locations of operation as below:



# MANAGEMENT DISCUSSION AND ANALYSIS

## GROUP FINANCIAL AND OPERATIONAL REVIEWS

For the financial year ended (FYE) 31 March 2017, the Group registered a higher revenue of RM71.4 million as compared to RM34.4 million in the previous year. As a result, the Group recorded a lower pre-tax loss of RM11.7 million as compared to a pre-tax loss of RM20.6 million in financial year 2016.

The significant improved in revenue, contributed from both the plantation and construction segments was able to offset the higher plantation operation costs incurred during the year resulted in a lower Group pre-tax loss as compared to the preceding year corresponding period.

### Plantation Segment

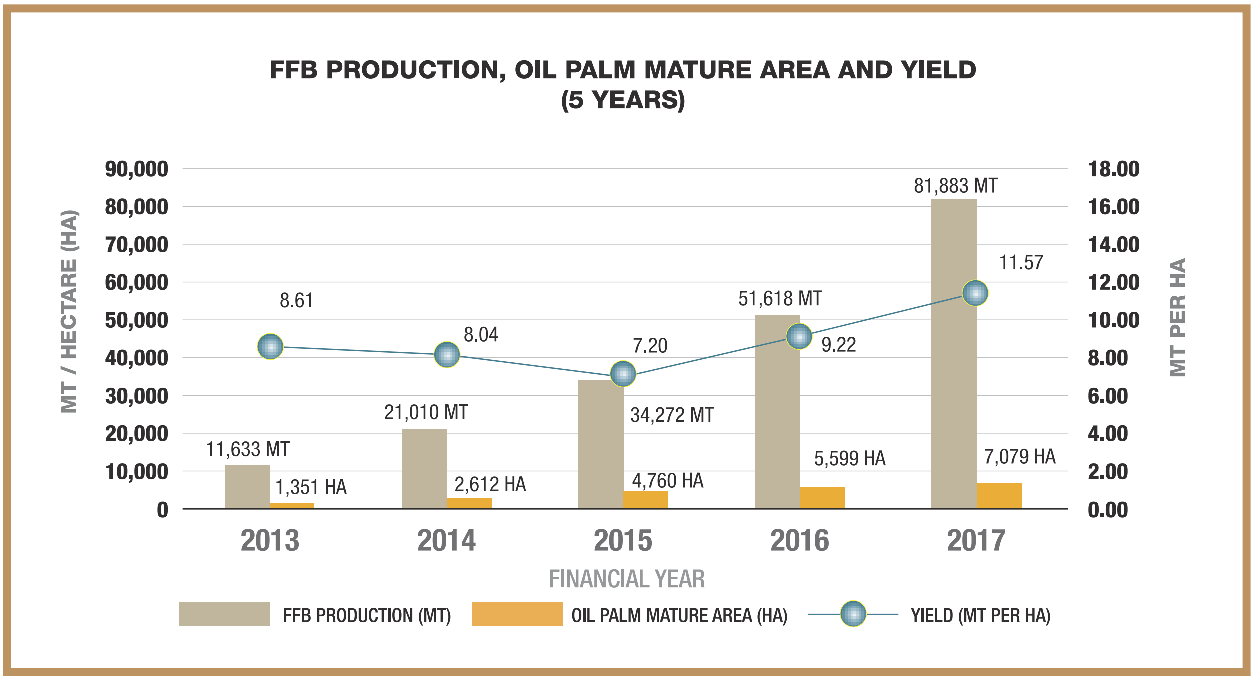
The Group's plantation arm under our 70% owned subsidiary, Aramijaya reported a higher revenue of RM56.5 million as compared with the revenue of RM30.8 million in the previous corresponding year. The pre-tax loss for the year is RM25.9 million as compared to the pre-tax loss of RM25.7 million in the financial year 2016. There is an improvement in the pre-tax loss margin of 37%.

The higher revenue recorded during the year was mainly due to higher Fresh Fruit Bunches (FFB) production and better oil palm selling price. The higher FFB production derived from a larger harvesting area. The pre-tax loss reported for the current year was attributable to an increase in operation costs such as higher amortisation cost for the plantation development expenditure arises from the revaluation and written off for the forest plantation development expenditure caused by the intrusion of wild animals and diseases.

Sales from FFB harvested increase to RM51.1 million from RM22.9 million, due to better average selling price for FFB by 41% to RM624 per MT from RM443 per MT in tandem with the increase in FFB production by 59% to 81,883 metric tonnes (MT) from 51,618 metric tonnes (MT) as compared to the corresponding period in 2016.

| FFB | FYE 2017 | FYE 2016 | Variance (%) |
|---|---|---|---|
| Production (MT) | 81,883 | 51,618 | 59% |
| Sales (RM'mil) | 51.1 | 22.9 | 123% |

Tabulated below is the Group's FFB production, Oil Palm mature area and yield per hectare for the past 5 years:

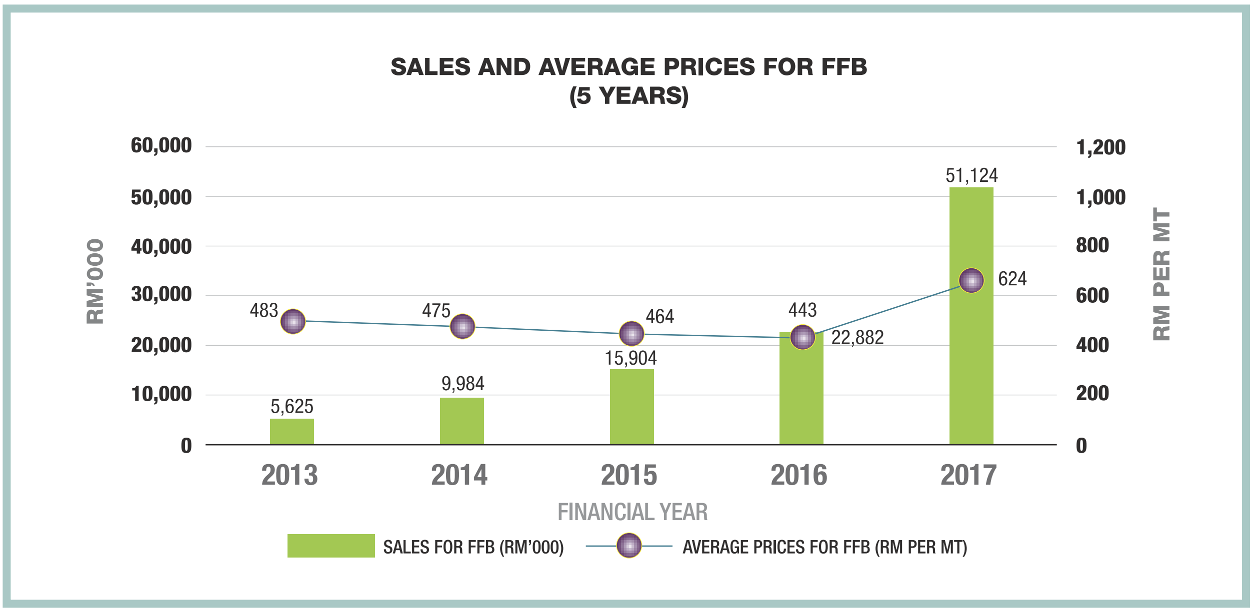


# MANAGEMENT DISCUSSION AND ANALYSIS

## GROUP FINANCIAL AND OPERATIONAL REVIEWS (CONT'D)

### Plantation Segment (Cont'd)

Analysis for the sales of FFB and average prices for FFB of the past 5 years are tabulated below:




The Group's capital expenditure and working capital requirements were financed by internal cash generated from operations and external bank borrowing. As at todate, the Group has adequate term loan facilities to fund the oil palm plantation development and capital expenditure.

As oil palm cultivation is currently our core business activity and mainstream to the Group revenue, it faces inherent risks associated to the oil palm industry. Such risks include but are not limited to the extreme and adverse weather phenomenon, pest and disease not least volatility of commodity prices. Besides that, operation cost such as labour, transport and fertiliser cost in relation to the terrain of our land would also affect the profitability of the business.

The Group is confident that the Management team, which are supported by qualified and experienced personnel will be able to manage and mitigate these operation risks effectively. The Group will monitor and improve the operational efficiencies to mitigate the effect of any increase in pricing and to have a better agronomic administration to improve the yield.

Risk Management practices are embedded in the daily operations and as well as those contains in the Statement of Risk Management and Internal Control in this Annual Report.

### Construction Segment

The Group reported a higher in revenue of RM14.9 million as compared to RM3.6 million and pre-tax profit of RM15.5 million as compared to RM6.9 million in the previous financial year mainly due to the recognition of profit from the finalisation of certain parcels in its existing earthfill project in the state of Johor. Currently there is no new project undertaking by the Group.

The equity attributable to the equity-holders of the Group stood at RM402.2 million as compared to RM411.5 million in the previous financial year.

Overall, the Group recorded a marginal decrease in net asset per share attributable to equity holders of the holding company from RM1.26 per share in the previous financial year to RM1.23 per share in the current financial year.

## PROSPECT

The same has been elaborated in our Managing Director's Statement in this Annual Report.

# DIRECTORS' PROFILE

## 01 TAN SRI DATO' LIM KANG YEW
**Managing Director**

Tan Sri Dato' Lim Kang Yew, male, aged 60, Malaysian, was appointed to the Board on 10 March 1987 and as Managing Director on 12 December 1994. He is a businessman with over 30 years of experience in the construction, property development and plantations related industry. He started with his own construction company mainly involved in civil engineering and building works and established good working relationship with some government agencies. His vast experiences in this field have proven to be invaluable to the Group. He is currently a Deputy Chairman of TSR Capital Bhd and also a director of several other private limited companies.

Tan Sri Dato' Lim Kang Yew had attended all the five (5) meetings held during the financial year. He has a direct shareholdings of 36,175,000. He is deemed to be interested in the related party transactions disclosed on page 93 of the Annual Report. He is a brother of Tan Sri Dato' Lim Kang Hoo and Dato' Lim Kang Poh. He is an uncle to Mr Lee Hun Kheng and Mr Lim Guan Shiun. Save as disclosed, he does not have any family relationship with any other Directors of the Company.

## 02 MR LEE HUN KHENG
**Executive Director**

Mr Lee Hun Kheng, male, aged 40, Malaysian, was appointed to the Board on 1 August 2008. He graduated with a Degree in Mechanical Engineering from University of Monash, Melbourne, Australia in 2000. Upon his return to Malaysia, he commenced his career as a Sales Engineer in a Public Listed Company specializing in Rental, Sales and Reconditioning of heavy and light machineries. During his 3 years service with the Company, he has gained commercial knowledge and marketing skills while providing machinery technical support and training to the end users. Besides, he is also actively involved in new business development such as establishing machinery product distributorship and after sales service contract with clients.

He then joined Aramijaya Sdn Bhd in 2003, a subsidiary of PLS Plantations Bhd ("PLS") as a Marketing Manager, responsible for the setting up of new accounts for timber products, both domestic and export market. He has explored various timber industries to increase product line as well as introducing modern timber processing systems to the Company. Subsequently, he was appointed as an Executive Director and Chief Executive Officer of Aramijaya Sdn Bhd, positions that he currently hold. Mr Lee is also an Executive Director and Chief Executive Officer of Knusford Bhd. He is a member of The Incorporated Society of Planters.

Mr Lee Hun Kheng had attended all the five (5) meetings held during the financial year. He has indirect shareholdings of 74,970,000. He is a nephew of Tan Sri Dato' Lim Kang Hoo, Tan Sri Dato' Lim Kang Yew and Dato' Lim Kang Poh. He is a cousin to Mr Lim Guan Shiun. Save as disclosed, he does not have any family relationship with any other Directors of the Company.

## 03 ENCIK ABD RAZAK BIN MOHD YUSOFF
**Non-Independent Non-Executive Director**

Encik Abd Razak Bin Mohd Yusoff, male, aged 53, Malaysian, was appointed to the Board on 27 May 2015. He graduated with Bachelor in Town and Country Planning from UTM and subsequently pursued his Post Graduate study in Land Economics at Nihon University Tokyo Japan. He joined YTL Construction Sdn Bhd in 1992 which exposed him to the construction industry specializing in the design and construction of the Nucleus Hospital projects. Later he joined Trans Resources Corporation Bhd ("TRC") and involved in the construction of the Hotel Seri Malaysia chain. He was re-assigned to TRC Land Sdn Bhd, a property subsidiary of TRC in 1996 overseeing various property development projects in Klang Valley and Johor.

After 13 years in the Construction and Property Development in TRC Group, Encik Abd Razak Bin Mohd Yusoff moved to Pelangi Berhad, a renowned Property Developer in Johor as the Head of Southern Region in 2007. The Company was later merged in to I&P Group Sdn Bhd, a wholly owned by Permodalan Nasional Bhd ("PNB"). With his extensive experience in the Construction and Property Development, in May 2015, Encik Abd Razak Bin Mohd Yusoff was invited to join Kumpulan Prasarana Rakyat Johor Sdn Bhd, a Johor Government-Linked Company as the Chief Executive Officer. He holds directorship in several private limited companies.

Encik Abd Razak Bin Mohd Yusoff had attended four (4) out of the five (5) meetings held during the financial year. He is deemed to be interested in the related party transactions disclosed on page 93 of the Annual Report. He does not have any family relationship with any of the directors and / or substantial shareholders of the Company. He does not hold any shares in PLS.

# DIRECTORS' PROFILE

## 04 TAN SRI DATO' LIM KANG HOO
**Non-Independent Non-Executive Director**

Tan Sri Dato' Lim Kang Hoo, male, aged 62, Malaysian, was appointed to the Board on 28 May 2004. He is a businessman with over 36 years of experience in the construction and machinery related industry. His dynamism and vision coupled with experience, saw the companies that he led grow by leaps and bounds. Ekovest Bhd and Iskandar Waterfront City Bhd which are listed on the main market of Bursa Malaysia are results of his involvement. At present, he is the Executive Chairman of Ekovest Bhd and an Executive Vice Chairman of Iskandar Waterfront City Bhd. He is also a director of several other private limited companies.

Tan Sri Dato' Lim Kang Hoo had attended four (4) out of the five (5) meetings held during the financial year. He has indirect shareholdings of 76,500,000. He is deemed to be interested in the related party transactions disclosed on page 93 of the Annual Report. He is a brother of Tan Sri Dato' Lim Kang Yew and Dato' Lim Kang Poh. He is an uncle to Mr Lee Hun Kheng and Mr Lim Guan Shiun. Save as disclosed, he does not have any family relationship with any other Directors of the Company.

## 05 DATO' LIM KANG POH
**Non-Independent Non-Executive Director**

Dato' Lim Kang Poh, male, aged 60, Malaysian, was appointed to the Board on 6 October 2005. He started his career in the construction industry in 1976 under Tasja Sdn Bhd. At present, he is the Deputy Executive Chairman of Astral Asia Bhd and director of several other private limited companies.

Dato' Lim Kang Poh had attended all the five (5) meetings held during the financial year. He has a direct shareholdings of 22,323,000. He is deemed to be interested in the related party transactions disclosed on page 93 of the Annual Report. He is a brother of Tan Sri Dato' Lim Kang Yew and Tan Sri Dato' Lim Kang Hoo. He is an uncle to Mr Lee Hun Kheng and father to Mr Lim Guan Shiun. Save as disclosed, he does not have any family relationship with any other Directors of the Company.

## 06 PUAN NORLIZA BINTI SULEIMAN
**Non-Independent Non-Executive Director**

Puan Norliza Binti Suleiman, female, aged 52, Malaysian, was appointed to the Board on 28th May 2009. She is a Fellow member of the Chartered Association of Certified Accountant ("FCCA") and a member of the Malaysian Institute of Accountants.

Puan Norliza Binti Suleiman started her career as an Audit Assistant at Ivory Barry & Company, an audit firm in London. Upon her return to Malaysia in 1989, she joined Coopers & Lybrand, Johor Bahru until 1993. Subsequently, she joined Tharra Holdings Sdn Bhd, a company involved in the medical services as Finance Manager.

Puan Norliza Binti Suleiman joined Kumpulan Prasarana Rakyat Johor Sdn Bhd ("KPRJ") in July 1996. Currently, she holds the post of Deputy Chief Executive for KPRJ. She also sits on the board of several private limited companies.

Puan Norliza Binti Suleiman had attended all the five (5) meetings held during the financial year. She is deemed to be interested in the related party transactions disclosed on page 93 of the Annual Report. She does not have any family relationship with any of the directors and / or substantial shareholders of the Company. She does not hold any shares in PLS.

## 07 DATO' HAJI IBRAHIM BIN HAJI KELING
**Senior Independent Non-Executive Director**

Dato' Haji Ibrahim Bin Haji Keling, male, aged 79, Malaysian, was appointed to the Board on 15 November 1994. He graduated with a Bachelor of Commerce degree and a Diploma in Business Administration in 1969 both from the Victoria University of Wellington, New Zealand. He also attended a senior management course at Cambridge University, England in 1975/1976, and a Senior Managerial Programme conducted by the Harvard Business School in 1988. He retired in 1993 where the last position he held was as Director of Management Service Department, FELDA. He also sat on the Board of Perbandanan Binaan Felda. Currently, he is a Director of several other private limited companies.

Dato' Haji Ibrahim Bin Haji Keling had attended four (4) out of the five (5) meetings held during the financial year. He does not have any family relationship with any of the directors and / or substantial shareholder of the Company. He does not hold any shares in PLS.

# DIRECTORS' PROFILE

## 08 ENCIK HISHAM BIN MAHMOOD
**Independent Non-Executive Director**

Encik Hisham Bin Mahmood, male, aged 58, Malaysian, was appointed to the Board on 4 March 1997. He graduated with a Bachelor of Arts Degree in Economics from University of Kent, Canterbury, United Kingdom. He started his career in the Corporate Advisory Department of Malaysian International Merchant Bankers Bhd and later ventured into his own family business which deals in the tender of military equipment for the Malaysian Armed Forces as well as the supply of products and services for the oil and gas industry. He is an Independent Non-Executive Director of TSR Capital Berhad and also a director of several other private limited companies.

Encik Hisham Bin Mahmood had attended all the five (5) meetings held during the financial year. He does not have any family relationship with any of the directors and / or substantial shareholders of the Company. He does not hold any shares in PLS.

## 09 MISS KANG HUI LING
**Independent Non-Executive Director**

Miss Kang Hui Ling, female, aged 45, Malaysian, joined the Board on 6 April 2005. She holds a Bachelor of Accounting (Hons) Degree from University of Malaya in 1997. She is a member of the Malaysian Institute of Certified Public Accountant and the Malaysian Institute of Accountants. Since her graduation, she acquired 4 years of audit experience in one of the big four audit firm. As audit senior associate, she also gained exposure in field of operation audit and financial due diligence. Subsequently, she joined a medium size multinational consultancy firm as the Finance and Admin Manager where she was responsible for establishing and implementing the company's accounting and operating policies and procedures. She is presently a partner of a professional firm registered with Malaysian Institute of Accountants. She is also an independent Non-Executive Director of Ekovest Bhd.

Miss Kang Hui Ling had attended four (4) out of the five (5) meetings held during the financial year. She does not have any family relationship with any of the directors and / or substantial shareholders of the Company. She does not hold any shares in PLS.

## 10 MR LIM GUAN SHIUN
**Alternate Director to Dato' Lim Kang Poh**

Mr Lim Guan Shiun, male, aged 30, Malaysian, was appointed as an alternate director to Dato' Lim Kang Poh on 21 May 2014. He graduated with a Bachelor of Engineering (Hons) in Civil Engineering and Master of Science in Management of Projects from University of Manchester.

Mr Lim Guan Shiun is currently an Executive Director of Astral Asia Bhd, a position he held since 2013. He is also the General Manager of Tasja Development Sdn Bhd.

Mr Lim Guan Shiun is a son of Dato' Lim Kang Poh and a nephew of Tan Sri Dato' Lim Kang Hoo and Tan Sri Dato' Lim Kang Yew. He is a cousin to Mr Lee Hun Kheng. He does not hold any shares in PLS. Save as disclosed, he does not have any family relationship with any other Directors of the Company.

### Conflict of Interest

There is no conflict of interest between the directors and the Group except for the related party transactions as disclosed in the Note 33 of the Audited Financial Statements.

### Conviction for Offences

None of the directors has been convicted for any offences (except traffic offences) within the last five years, and have not been subjected to any public sanctions and/or penalties imposed by any relevant regulatory bodies during the financial year.

# KEY SENIOR MANAGEMENT PROFILE

The Group is managed by a team of experienced and diversified Executives leaded by our Managing Director, Tan Sri Dato' Lim Kang Yew and Executive Director, Mr Lee Hun Kheng, also being as Chief Executive Office of Aramijaya Sdn Bhd. To complement the Executive Directors are their team of professional managers including a team of qualified financial officers and executives.

## 01 TAN SRI DATO' LIM KANG YEW
**Managing Director**

Tan Sri Dato' Lim Kang Yew, male, aged 60, Malaysian, was appointed to the Board on 10 March 1987 and as Managing Director on 12 December 1994. He is a businessman with over 30 years of experience in the construction, property development and plantations related industry. He started with his own construction company mainly involved in civil engineering and building works and established good working relationship with some government agencies. His vast experiences in this field have proven to be invaluable to the Group. He is currently a Deputy Chairman of TSR Capital Bhd and also a director of several other private limited companies.

## 02 MR LEE HUN KHENG
**Executive Director**

Mr Lee Hun Kheng, male, aged 40, Malaysian, was appointed to the Board on 1 August 2008. He graduated with a Degree in Mechanical Engineering from University of Monash, Melbourne, Australia in 2000. Upon his return to Malaysia, he commenced his career as a Sales Engineer in a Public Listed Company specializing in Rental, Sales and Reconditioning of heavy and light machineries. During his 3 years service with the Company, he has gained commercial knowledge and marketing skills while providing machinery technical support and training to the end users. Besides, he is also actively involved in new business development such as establishing machinery product distributorship and after sales service contract with clients.

He then joined Aramijaya Sdn Bhd in 2003, a subsidiary of PLS Plantations Bhd ("PLS") as a Marketing Manager, responsible for the setting up of new accounts for timber products, both domestic and export market. He has explored various timber industries to increase product line as well as introducing modern timber processing systems to the Company. Subsequently, he was appointed as an Executive Director and Chief Executive Officer of Aramijaya Sdn Bhd, positions that he currently hold. Mr Lee is also an Executive Director and Chief Executive Officer of Knusford Bhd. He is a member of The Incorporated Society of Planters.

### Conflict of Interest

There is no conflict of interest between the Key Senior Management and the Group except for the related party transactions as disclosed in the Note 33 of the Audited Financial Statements.

### Conviction for Offences

None of the Key Senior Management has been convicted for any offences (except traffic offences) within the last five years, and have not been subjected to any public sanctions and/or penalties imposed by any relevant regulatory bodies during the financial.

### Family Relationship

No Key Senior Management has family relationship with other Directors or major shareholders except for :

Tan Sri Dato' Lim Kang Yew is a brother of Tan Sri Dato' Lim Kang Hoo and Dato' Lim Kang Poh. He is an uncle to Mr Lee Hun Kheng and Mr Lim Guan Shiun.

Mr Lee Hun Kheng is a nephew of Tan Sri Dato' Lim Kang Hoo, Tan Sri Dato' Lim Kang Yew and Dato' Lim Kang Poh. He is a cousin to Mr Lim Guan Shiun.

# STATEMENT ON CORPORATE GOVERNANCE

**Introduction**

The Board of Directors ("Board") of PLS Plantations Berhad recognises the importance of adopting the principles and best practices of the Malaysian Code of Corporate Governance 2012 ("Code") and is fully committed in ensuring that highest standards of corporate governance as set out in the Code are observed and practiced throughout the Group to safeguard and enhance shareholders' value.

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent to which it has complied with the best practices of good governance as set out in the Code and other applicable laws, rules and regulations during the financial year ended 31 March 2017.

This statement was approved by the Board on 17 July 2017.

**PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT**

**1.1 Establish clear function reserved for board and delegation to management**

The Board has overall responsibilities for the corporate governance practices of the Group. It guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective direction for the Group and overseeing the business operations of the Group, evaluating whether they are properly managed.

The Group practices a division of clear responsibility between the Executive and Non-Executive Directors. The Executive Directors who are led by the Managing Director responsible for the overall management of the Group, ensuring that strategies, policies and matters set by the Board are effectively implemented. The Non-Executive Directors fulfil a pivotal role in corporate governance accountability; providing unbiased and independent views, advice and evaluation of the strategies proposed by the executive members of the Board ensuring that the long term interests of all stakeholders, namely the company shareholders, employees, customers, business associates and the community as a whole, are always protected.

**1.2 Clear roles and responsibility in discharging fiduciary/leadership**

The Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions.

The duties and responsibilities of the Board are clearly spelt out in the Board Charter. To facilitate the discharge of this responsibility and oversight role, the Board is assisted by a number of Board Committees to which the Board has delegated certain key matters.

The Board Committees namely, the Audit Committee, Nomination Committee and Remuneration Committee, all collectively referred to as the 'Committees' are entrusted with specific responsibilities to PLS Group's affairs, in accordance with their respective clear written terms of reference. All terms of reference of the committees are approved by the Board and reviewed periodically to ensure their continued relevance. At each Board meeting, the Chairman of the Committees report to the Board on the key issues deliberated and outcome of the Committees meeting.

The Board assumes, amongst others, the following significant responsibilities:

a. Providing entrepreneurial leadership to management that promotes innovation and long term value creation;

b. Overseeing the conduct of PLS Group's business and the performance of management's implementation of PLS Group's strategic and objectives and its performance;

c. Ensuring that the Company has in place an appropriate risk management framework and setting the risk appetite within which the board expects management to operate;

d. Planning for the succession of Board and key senior management and having in place a process to provide for the diversity (including gender diversity);

e. Overseeing the development and implementation of an investor relations programme and shareholder communications policy; and

f. Reviewing the adequacy and integrity of PLS Group's accounting and corporate reporting systems as well as internal control and management information systems.

# STATEMENT ON CORPORATE GOVERNANCE

**PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)**

**1.2 Clear roles and responsibility in discharging fiduciary/leadership (Cont'd)**

When running Board meetings the Chairman of the meeting maintains a collaborative atmosphere and ensures that all Directors contribute a debates. The Managing Director or the Executive Director arrange informal meetings and events throughout the year to help build constructive relationships between the Board members.

**1.3 Code of conduct and implementation**

**Code of Conduct**

The Board recognises the importance of having in place a Code of Conduct, setting out the standards of conduct expected from Director and employees, to engender good corporate behaviour and has formalised such a Code, including uploading the same on the Company's website. Meanwhile, the Board Charter sets out provision for disclosure and conflict of interest to be observed by Directors. The Company's Terms and Conditions of Service for employees also include provisions on conduct, which highlight, amongst others, the need to refrain from accepting any forms of gifts or inducement from interested or potentially interested party.

**1.4 Strategies promoting**

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is considered in the Group's corporate strategies.

**1.5 Access to information and advice**

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way Board reports or upon specific requests, for decisions to be made on an informed basis and for an effective discharge of the Board's responsibilities.

Timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings to give effect to Board decisions and deal with matters arising from such meetings, is observed. Board members are furnished with pertinent explanation and information on relevant issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board before a decision is made.

All Board members are supplied with full and timely access to information with Board papers circulated in advance of the meeting. Every Director has unhindered access to the advice and services of the Company Secretaries and members of Senior Management.

All scheduled meetings held during the year were preceded with a formal agenda issued by the Company Secretaries and prior to the meeting of the Board. Board papers which include reports relevant to the issues of the meeting were circulated in a timely manner to all the Directors. These Board papers are issued prior to the meeting to enable Directors to have sufficient time to prepare for discussion and to obtain further explanations, where necessary in order to be properly briefed before the meeting.

Minutes of every Board meeting and decisions made by way of circular resolutions are duly minuted and properly maintained by the Company Secretaries.

Whenever necessary, Management or external advisors are also invited to attend the Board and Board Committee meetings to explain matters within their competencies and provide clarity on agenda items being discussed to enable the Board and/or Board Committees to arrive at a considered and informed decision.

As the Group's quarterly results is one of the regular annual schedule of matters which is tabled to the Board for approval at the quarterly Board meetings, notices on the closed period for trading in PLS's securities are also circulated to Directors, key management personnel and principal officers who are deemed to be privy. This is to comply with the Main LR and the Capital Markets & Services Act 2007 requirements where key management personnel and principal officers of the Company and the Group are prohibited from trading in securities or any kind of property based on price sensitive information which has not been publicly announced within 30 calendar days before the targeted date of announcement of the quarterly results up to the date of announcement. In the financial year ended 2017, none of the Directors dealt in PLS's securities during the closed period.

# STATEMENT ON CORPORATE GOVERNANCE

## PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

### 1.6 Qualified and Competent Company Secretaries

The Company has appointed two secretaries who are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 ("CA") for the Company. Both of them are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretaries provide support to the Board in fulfilling its fiduciary duties and leadership role in shaping the Code of PLS Group. In this respect, they play an advisory role to the Board, particularly with regard to the Company's constitution, Board policies, procedures and its compliance with regulatory requirements, codes, guidance and legislations. The Company Secretaries also support the Board in managing the Group Governance Model to ensure its relevance and effectiveness.

The Company Secretaries attends all board meetings and ensures that accurate and adequate records of the proceedings of board meetings and decisions made are properly kept. The Board is updated by the Company Secretaries on the follow-up of its decisions and recommendations by the Management.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in Code through attendance at relevant conferences and training programmes. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions.

### 1.7 Formalise, periodically review and publicise board charter

The Board had established the Board Charter as a source of reference to the Board in the fulfilment of its authority, roles, functions, composition, duties and responsibilities which are in line with the principles of good corporate governance and provide a primary induction literature by providing insights to prospective Board members and Senior Management.

The Board will update the Board Charter from time to time to reflect changes to the Company's policies, procedures and processes as well as the latest relevant legislation and regulations. The Board will review the Board Charter regularly to ensure it complies with the best practices, and remains relevant and effective in light of the Board's objectives. In 2017, the Board reviewed and approved certain revisions to the Board Charter which included delineating the roles of the Independent Directors in addition to the duties and responsibilities of the Board. Term of Reference for Nomination and Remuneration Committee and updating various provisions to ensure the document remains relevant and consistent with the Board's approved policy and procedures.

The Full Charter can be accessed on the Company's website at *www.limbongan.com*.

## PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD

The Board currently comprises of Nine (9) members, One (1) Managing Director, One (1) Executive Director, Four (4) Non – Independent Non-Executive Directors, Three (3) Independent Non-Executive Director. The Company has also appointed One (1) Alternate Director. This composition fulfils the requirements as set out under MMLR of Bursa Malaysia, which stipulates that at least two (2) Directors or One-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out on page 11 to 13 in this Annual Report. The Directors, with their different background and specialisations, collectively bring with them a wide range of experience and expertise in areas such as plantations, public administration, property development, construction, quantity surveying, building and civil engineering, information systems, accounting and audit.

The presence of the Independent Non-Executive Directors promotes objectivity and they have the competence necessary to advise the Board on its decisions. They provide an effective check and balance to the Board's decision making process. The Board's composition brings together an extensive group of experienced Directors from varied backgrounds and they bring with them a wide range of skills and experience in areas relevant to managing and directing the Group's operations. The Board is satisfied that the current Board's composition fairly protects the investment of the minority shareholders and represents a balanced mix of skills and experience to discharge the Board's duties and responsibilities. In addition, no individual director or group of directors dominates the Board's decision making.

The Senior Independent Non-Executive Director acts as a point of contact for shareholders and other stakeholders with concerns or queries relating to the Group to be communicated through the normal channels.

# STATEMENT ON CORPORATE GOVERNANCE

**PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)**

**2.1 Nomination Committee**

The Nomination Committee ("NC") comprises members who are all Independent Non-Executive Directors ("INED").

The Nomination Committee has clearly defined terms of reference approved by the Board and is responsible for proposing and recommending new nominees to the Board and assessing the performance of the Directors of the Company on an on-going basis, their skills, knowledge, experience and professionalism. The Nomination Committee also assesses the effectiveness of the Board as a whole and the contribution of each individual Director and Board Committee member.

The Nomination Committee consists of three (3) Independent Non-Executive Directors and meets as and when required. The members of Nomination Committee of the Company comprises the following directors:-

i) Dato' Haji Ibrahim Bin Haji Keling – Senior Independent Non-Executive Director (Chairman)

ii) Encik Hisham Bin Mahmood – Independent Non-Executive Director (Member)

iii) Miss Kang Hui Ling – Independent Non-Executive Director (Member)

The Nomination Committee may meet at least once a year or more frequently as deemed necessary. During the financial year ended 31 March 2017, the Nomination Committee had one (1) meeting and the following activities were carried out by the Committee:-

1. Reviewed the composition of the Board of Directors

2. Assessed the effectiveness of the Board and Board Committee

3. Assessed and evaluated the performance and contribution of each Director

4. Reviewed the profile of each Director

5. Reviewed the training needs of the Directors to ensure that they are acquainted with the latest development and changing environment in which the Company operates.

**2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors**

During the assessment, the Nomination Committee had reviewed and evaluate the performance of Mr Lee Hun Kheng & Miss Kang Hui Ling who are due for retiring by rotation.

The Board had assessed Dato' Haji Ibrahim Bin Haji Keling, Encik Hisham Bin Mahmood and Miss Kang Hui Ling, who had serve as Independent Directors for a cumulative term of nine (9) years.

All the four (4) Directors i.e Mr Lee Hun Kheng, Miss Kang Hui Ling, Dato' Haji Ibrahim Bin Haji Keling and Encik Hisham Bin Mahmood had expressed their intention to seek re-election and retention as Independent Directors at the 30th AGM.

The Board will be seeking shareholders' approval for the re-election of Mr Lee Hun Kheng and Miss Kang Hui Ling, and retention of Dato' Haji Ibrahim Bin Haji Keling, Encik Hisham Bin Mahmood and Miss Kang Hui Ling as Independent Directors, at the upcoming Annual General Meeting of the Company.

The Nomination Committee's Terms of Reference specifies the duties and functions of the Committee, which relate to the recruitment of directors and criteria used in their selection in terms of the appropriate balance of skills, expertise, attributes and core competencies and annual assessment. The Committee is responsible for reviewing candidates for appointment to the Board Committee and make appropriate recommendations thereon to the Board for approval. It is tasked with assessing the effectiveness of the Board and Board Committee and the performance of individual Directors in order to ensure that required mix of skills and experience are present of the Board.

The Nomination Committee recognises the importance of gender diversity in the effective running of a board. Two (2) of the board members are female directors.

# STATEMENT ON CORPORATE GOVERNANCE

**PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)**

**2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors (Cont'd)**

The Nomination Committee also recognised the importance of having succession plan and will ensure that appropriate plans are in place, including new appointment and training to replace Board members and Senior Management of the Group. For this purpose, the factors considered by the Nomination Committee include the suitability of the shortlisted candidates based on their profiles, professional achievements and personality assessment.

The assessment of the Board by an individual director is based on specific criteria, covering areas such as the Board composition and structure, principal responsibilities of the Board, the Board process, succession planning and Board governance. The assessment criteria include contributions to interaction, role and duties, knowledge and integrity, governance and independence.

**2.3 Remuneration Committee**

The Remuneration Committee is entrusted with the role of determining and reviewing the performance of the Executive Directors and provide recommendations to the Board on specific adjustments in remuneration, including reward payments commensurate with the respective contributions of the Executive Directors for the year. None of the Executive Directors shall participated in any way in determining their individual remuneration.

The Remuneration Committee comprises of the following Directors, a majority of whom are Independent Non-Executive Directors, are as follows:-

i) Dato' Haji Ibrahim Bin Haji Keling – Senior Independent Non-Executive Director (Chairman)
ii) Encik Hisham Bin Mahmood – Independent Non-Executive Director (Member)
iii) Miss Kang Hui Ling – Independent Non-Executive Director (Member)
iv) Tan Sri Dato' Lim Kang Yew – Managing Director (Member)

The Board as a whole will determine the remuneration of Non-Executive directors with individual directors abstaining from decisions in respect of their individual remuneration. The level of remuneration reflects the level of experiences and responsibilities undertaken. Fees payable to the Company's Directors are subject to yearly approval by shareholders at the Company's AGM.

The policy practiced by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company and to align their interest with those of the shareholders.

The Remuneration Committee meet at least once a year or more frequently as deemed necessary. During the financial year ended 31 March 2017, the Committee had one (1) meeting.

**Directors' Remuneration**

An analysis of the aggregate remuneration of the Directors of the Board for the year ended 31 March 2017 categorised in appropriate components are set out below:-

(a) Total Remuneration

| By Group | Executive Directors (RM) | Non-Executive Directors (RM) | Total (RM) |
|---|---|---|---|
| Fees | 20,000 | 75,000 | 95,000 |
| Salaries and Other Emolument | 1,318,640 | 18,000 | 1,336,640 |
| Benefits-In-Kind | 6,500 | - | 6,500 |
| Total | 1,345,140 | 93,000 | 1,438,140 |

# STATEMENT ON CORPORATE GOVERNANCE

**PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)**

**2.3 Remuneration Committee (Cont'd)**

**Directors' Remuneration (Cont'd)**

An analysis of the aggregate remuneration of the Directors of the Board for the year ended 31 March 2017 categorised in appropriate components are set out below:- (Cont'd)

(a) Total Remuneration (Cont'd)

| By Company | Executive Directors (RM) | Non-Executive Directors (RM) | Total (RM) |
|---|---|---|---|
| Fees | 20,000 | 75,000 | 95,000 |
| Salaries and Other Emolument | 848,000 | - | 848,000 |
| Total | 868,000 | 75,000 | 943,000 |

(b) Directors' remuneration by bands

The number of Directors whose total remuneration falls within the following bands during the financial year ended 31 March 2017 is as follows:-

| Remuneration Band | Executive Directors | Non-Executive Directors | Total |
|---|---|---|---|
| Up to RM50,000 | - | 7 | 7 |
| RM350,001 to RM400,000 | 1 | - | 1 |
| RM850,001 to RM900,000 | 1 | - | 1 |
| Total | 2 | 7 | 9 |

The details of the individual Director's remuneration are not disclosed in this report as the Board considers the above disclosures satisfied the accountability and transparency aspects of the Code.

**PRINCIPLE 3 – REINFORCE INDEPENDENCE**

The appointment of the independent directors is to ensure that the Board includes directors who can effectively exercise their independent and objective judgement to Board deliberations and to mitigate risks arising from conflict of interest or undue influence from interested parties.

Criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Group and his involvement in any significant transaction within the Group. In the case of Independent Directors, the provision of an annual declaration of independence is practised.

The Nomination Committee is specially tasked to assess the independence of Independent Directors upon admission, annually and when any new interest or directorship develops.

The Nomination Committee has assessed the independence of each present Independent Director and recommended that they continue to act as an Independent Non-Executive Directors of the Company on the following basis:-

i. They have no interest or ties in the Company that could adversely affect independent and objective judgement and place the interest of the Company above all other interests; and

# STATEMENT ON CORPORATE GOVERNANCE

**PRINCIPLE 3 – REINFORCE INDEPENDENCE (CONT'D)**

The Nomination Committee has assessed the independence of each present Independent Director and recommended that they continue to act as an Independent Non-Executive Directors of the Company on the following basis:- (Cont'd)

ii. They have met the criteria for independence set out in Chapter 1 of the MMLR; and they continue to be able to exercise independent judgement and to act in the best interest of the Company.

   Following by this assessment, the Board is of the opinion that the Independent Directors continue to remain objective and independent in expressing their respective views and in participating in deliberations and decision-making of the Board and the Board Committee.

   The Board is further of the view that the length of service of the Independent Directors on the Board do not in any way interfere with their independent judgement and ability to act in the best interest of the Group. Hence, based on the recommendation by the Nomination Committee, the Board recommends that the Independent Directors continue in their present positions.

   Whilst the length of service is not regarded by the Board to entirely demonstrate the independence of the independent non-executive directors, the Board will justify and seek shareholders' approval in the event the Board intends to retain the Independent Director after serving a cumulative term of 9 years.

   The Code recommended that approval of shareholders be sought in the event that the Company intends to retain Independent Directors, the persons who have served in that capacity for more than 9 years. Hence, shareholders' approval will be sought for this coming 30th Annual General Meeting for Dato' Haji Ibrahim Bin Haji Keling, Encik Hisham Bin Mahmood and Miss Kang Hui Ling to continue to act as an Independent Non-Executive Directors of the Company and to hold office until the conclusion of the next Annual General Meeting.

   Key justifications for their recommended continuance as Independent Non-Executive Directors are as follows:-

   a. They fulfill the independent director criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and, therefore, are able to bring independent and objective judgment to the Board;

   b. Their relevant experience and expertise as set out in their respective profiles in the Annual Report would enable them to provide the Board with pertinent and a diverse set of expertise, skills and competence and thus all matters tabled to the Board for consideration are well reviewed and deliberated;

   c. Their long service with the Company enhances their knowledge and understanding of the business operations of the Group which enable them to contribute actively and effectively during deliberations or discussion at Audit Committee and Board meetings.

   Following the resignation of the previous Chairman, the Board is in the process of considering and approaching various nominees to ensure a suitable chairman is being appointed.

# STATEMENT ON CORPORATE GOVERNANCE

## PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

### 4.1 Time commitments

All directors are expected to devote sufficient time to carry out their responsibilities and are required to notify the Board before accepting any new directorship and the notification shall include the indication of time that will be spent on the new appointment.

**Board Meetings**

The Board meets on a scheduled basis at least four (4) times a year, with additional meetings convened when necessary. Five (5) Board Meetings were held during the financial year ended 31 March 2017. Details of the attendance of the Directors are as follows:-

| Members of the Board | Designation | Attendance |
|---|---|---|
| Tan Sri Dato' Lim Kang Yew | Managing Director | 5/5 |
| Mr Lee Hun Kheng | Executive Director | 5/5 |
| Encik Abd Razak Bin Mohd Yusoff | Non-Independent Non-Executive Director | 4/5 |
| Tan Sri Dato' Lim Kang Hoo | Non-Independent Non-Executive Director | 4/5 |
| Dato' Lim Kang Poh | Non-Independent Non-Executive Director | 5/5 |
| Puan Norliza Binti Suleiman | Non-Independent Non-Executive Director | 5/5 |
| Dato' Haji Ibrahim Bin Haji Keling | Senior Independent Non-Executive Director | 4/5 |
| Encik Hisham Bin Mahmood | Independent Non-Executive Director | 5/5 |
| Miss Kang Hui Ling | Independent Non-Executive Director | 4/5 |

Besides Board meetings, the Board also exercise control on matters that require Board's approval through circulation of Directors' Resolutions.

**Appointment, Retirement and Re-Election of Directors**

Procedures relating to the appointment, retirement and re-election of Directors are contained in the Company's Articles of Association.

The formal and transparent procedures for appointment of new Directors as follows:-

i) A list of nominations for candidates proposed by the Executive Directors and the Nomination Committee will review the profile of and short-list of suitable candidates for consideration.

ii) The profile of a short-listed candidates will be circulated for consideration

iii) The Nomination Committee will then recommend the appointment to the Board

iv) The Board will make a decision to appoint the candidate

New Directors are subject to retirement at the Annual General Meeting ("AGM"), following their appointment. One third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office and be eligible for re-election. In addition, an election of Directors shall take place each year and all Directors including the Managing Director shall retire from office once at least in each three (3) years but shall be eligible for re-election at each Annual General Meeting.

The election of each Director is voted separately. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and shareholdings in the Group of each Director standing for election are furnished in this Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE

## PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS (CONT'D)

### 4.2 Continuing education programmes

The Board recognises the needs to attend trainings in order to enhance their skills and knowledge and keep abreast with the relevant change in laws, regulations and business environment so that they can discharge their duties effectively.

During the financial year, the Directors had attended field trips to the Company's sites to familiarise with the various business operations. In addition, the following directors had attended the following training programmes: -

| Members of the Board | Training Attended |
|---|---|
| Tan Sri Dato' Lim Kang Yew<br>Dato' Lim Kang Poh<br>Encik Abd Razak Bin Mohd Yusoff<br>Puan Norliza Binti Suleiman<br>Dato' Haji Ibrahim Bin Haji Keling<br>Encik Hisham Bin Mahmood<br>Mr Lee Hun Kheng<br>Mr Lim Guan Shiun | 2017 Tax Budget Briefing |
| Tan Sri Dato' Lim Kang Hoo<br>Miss Kang Hui Ling | Highlights of the Companies Act 2016 - Changes and Implications |

The Company will continue to arrange further development and training programmes for the Directors in order to update and enhance their skills and knowledge, which are important for carrying out their role effectively as a Director.

## PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with Applicable Financial Reporting Standards

In presenting the annual audited financial statements and quarterly financial results, the Board takes responsibility to ensure that these financial statements are drawn up in accordance with regulatory requirements and applicable financial reporting standards in Malaysia.

The Audit Committee assists the Board by reviewing these financial statements with Management and the external auditors.

The Audit Committee Report is set out on pages 31 to 34.

A Responsibility Statement by the Directors is set out on page 25 of this Annual Report.

### 5.2 Suitability and Independence of External Auditors

The external auditors have confirmed to Audit Committee that they are, and have been independent throughout the conduct of the audit engagement in accordance with independence criteria set out by the Malaysian Institute of Accountants. The external auditors are given access to books and records of the Group at all times.

The Audit Committee meets with the external auditors privately twice a year and whenever necessary, without the presence of the other directors of Management, to exchange independent views on matters which require the Audit Committee's attention.

The Audit Committee considered the non-audit services provided by the external auditors during the financial year ended 31 March 2017 and concluded that the provision of these services did not compromise the external auditors' independence and objectivity. The amount of fees incurred of these non-audit services totalled RM5,000.00 which was considered not significant when compared to the total fees paid to the external auditors for the Group.

The Audit Committee assessed the suitability and independence of the external auditors, and have recommended to the Board to propose to shareholders at the forthcoming 30th AGM the appointment of the external auditors to hold office for the ensuing year.

# STATEMENT ON CORPORATE GOVERNANCE

## PRINCIPLE 6 – RECOGNISE AND MANAGE RISK

### A Sound Framework to Manage Risk

The Board recognises the importance of sound system of risk management and internal control to safeguard shareholders' investment and the Group's asset. The Board acknowledges its primary responsibility to ensure that risks in the Group are identified, measured and managed with appropriate system of risk management and internal controls, beside ensuring the effectiveness, adequacy and integrity of the risk management and internal control systems are reviewed on an on-going basis.

### Internal Audit Function

The Company outsources the internal audit function as it is the most cost effective means of implementing an internal audit function. The internal auditors report directly to the Audit Committee.

The detail and review on the system of risk management and internal controls and internal audit function are set out under the Statement on Risk Management and Internal Control on page 27 to 30 of this Annual Report.

## PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### Corporate Disclosure Policies and Procedures

The Company recognises the value of transparent and active communications with the investment community and aims to build long-term relationships with its shareholders and investors through appropriate channels for disclosure of information.

The Company mainly communicates with its shareholders, stakeholders and the public through press releases, press conferences, timely announcements and disclosures made to Bursa Securities.

Information disseminated is clear, relevant and comprehensive, provided on a timely basis and is readily accessible by all stakeholders. The Company endeavours to provide investors with sufficient business, operational and financial information on the Group to enable them to make informed investment decisions.

The Annual Report, which is also a key communication channel between the Company and its shareholders and investors, is published within 4 months after the financial year end. The Managing Director's Statement provide an insightful interpretation of the Group's performance, operations, prospects and other matters affecting the Group's business and/or shareholders' interests.

### Leverage on Information Technology for Effective Dissemination of Information

The Company's website at *www.limbongan.com* incorporates an Investor Relations section which provides all relevant information on the Group and is accessible by the public. Information on announcements made by the Company, annual reports, press releases and corporate presentations are disclosed in this section which enhances the Investor Relations function.

The quarterly financial results are announced via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

## PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND ITS SHAREHOLDERS

### Investors Relations and Shareholder Communications

The Board presents the progress and performance of the Group to provide shareholders with the opportunity to seek clarification on the Group's businesses and financial performance during the Annual General Meeting (AGM) and Extraordinary General Meeting (EGM). The Directors, Chairman of the Audit Committee, and External Auditors, if necessary will be available to response to the questions of shareholders during the AGM and EGM.

# STATEMENT ON CORPORATE GOVERNANCE

**PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND ITS SHAREHOLDERS (CONT'D)**

**Investors Relations and Shareholder Communications (Cont'd)**

The shareholders are encouraged to attend the AGM and EGM as it serves as an important avenue for the shareholders to communicate with the members of the Board. The Chairman of the meeting includes in his agenda and allocates time for a question and answer session for each item in the agenda, whereby shareholders have the opportunity to raise questions, and seek clarification on business and performance of the Group and Company. The Chairman will respond to any questions raised during the meeting.

While members of the media are not invited into the meeting hall, a media conference is held immediately after the meeting where the Chairman of the Meeting, Managing Director and Executive Director will update media representatives on the resolutions passed and answer questions on matters related to the Group. This approach provides the Company with a more efficient way to address both the shareholders and the media. The results of all resolutions are presented to the audience and outcome of the AGM is announced on the same day via Bursa LINK.

Whilst the Company endeavours to provide as much information as possible to its shareholders, it must also be wary of the legal regulatory framework governing the release of material and price-sensitive information. As such, corporate disclosure will take into account the prevailing legislative restrictions and requirements as well as the investors' needs for timely release of price-sensitive information, such as financial performance results and statements, material disposals, material litigations as well as other significant corporate events.

**Statement of Directors' Responsibility In Respect of the Financial Statements**

The Group's financial statements have been drawn up in accordance with the applicable approved accounting standards in Malaysia and the Companies Act 2016. The financial statements give a true and fair view of the state of the affairs of the end of the financial year, and of the profit and cash flows for the financial year.

In preparing the financial statements, the Directors are also responsible for:-

- the adoption of suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- ensuring that all applicable financial reporting standards have been followed; and
- preparing financial statements on a going concern basis as the Director have reasonable expectations, having made enquiries that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility of ensuring that the Company maintains adequate accounting records and sufficient internal controls to safeguard the assets and to prevent and detect fraud or other irregularities in the Group.

This statement was approved by the Board of Directors on 17 July 2017.

**OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**Additional Compliance Information**

In compliance with the Listing Requirements of Bursa Securities, the following are additional information in respect of the financial year ended 31 March 2017 to be disclosed in this Annual Report:-

a. **Utilisation of Proceeds**

   The Company has not implemented any corporate proposal during the financial year ended 31 March 2017.

b. **Non-Audit Fee**

   There amount of non-audit fees incurred for services rendered to the Group and the Company by the External Auditor for the financial year ended 31 March 2017 amounted to RM5,000.00 and RM5,000.00 respectively.

# STATEMENT ON CORPORATE GOVERNANCE

**OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**

**Additional Compliance Information (Cont'd)**

In compliance with the Listing Requirements of Bursa Securities, the following are additional information in respect of the financial year ended 31 March 2017 to be disclosed in this Annual Report:- (Cont'd)

c. **Recurrent related party transactions**

At the 29th Annual General Meeting of the Company held on 21 September 2016, the Company had obtained shareholders' approval for the renewal to enter into recurrent related party transactions of revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of its business with related parties. The said mandate takes effect on 21 September 2016 until the conclusion of the forthcoming Annual General Meeting of the Company.

The Company is seeking shareholders' approval to renew the existing mandate for recurrent related party transactions of revenue or trading nature at the forthcoming Annual General Meeting to be held on 27 September 2017. The details of the shareholders mandate to be sought are furnished in the Circular to shareholders dated 31 July 2017, accompanying this Annual Report.

The aggregate values of transactions conducted pursuant to the shareholders` mandate during the financial year ended 31 March 2017 are disclosed on page 93 to 95 of this Annual Report.

d. **Material Contracts**

There were no material contracts entered into by the Group and the Company involving Directors' and major shareholders' interest during the financial year ended 31 March 2017.

e. **Contracts Relating to Loans**

There were no contracts relating to loans by the Company and its subsidiaries in respect of the preceding item.

f. **Corporate Social Responsibilities**

The Group has continuously participated in supporting the community projects by providing assistance in cash and in kind to local schools, community centres and places of worship.

# STATEMENT ON
# RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of risk management and internal controls to safeguard shareholders' investments and the Group's assets. The Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements require directors of public listed companies to include a statement in their annual reports on the state of their risk management and internal controls framework. The Bursa Securities' Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines") provides guidance for compliance with these requirements. Set out below is the Board's Statement on Risk Management and Internal Control, which has been prepared in accordance with the Guidelines.

## BOARD'S RESPONSIBILITY

The Board recognises the importance of sound system of risk management and internal control to safeguard shareholders' investment and the Group's asset. The Board acknowledges its primary responsibility to ensure that risks in the Group are identified, measured and managed with appropriate system of risk management and internal controls, and to ensure that the effectiveness, adequacy and integrity of the risk management and internal control systems are reviewed on an on-going basis. The review covers, *inter alia,* financial, operational and compliance system controls and risk management procedures of the Group. However, such procedures are designed to manage rather than to eliminate risks that may impede the achievement of the Group's business objectives. Accordingly, a sound system of risk management and internal control can only provide reasonable, and not absolute, assurance against material errors, misstatement, losses or fraud.

The Board has established key activities to ensure the process for reviewing and reporting on the adequacy and integrity of the system of risk management and internal controls are defined, appropriately documented and monitored on regular basis to ensure proper management of risks and measures are taken to mitigate any weaknesses in the control environment.

The Audit Committee continuously evaluates and monitors the significant risks and controls through a formalised monitoring and reporting process. Reviews are conducted by the Audit Committee on a quarterly basis, with additional reviews as and when required.

These initiatives would ensure that the Group has in place a formalised on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives.

## RISK MANAGEMENT FRAMEWORK

The Board has formalised a comprehensive Enterprise Risk Management ("ERM") Framework and clear governance structure that takes into account all significant aspects of internal control including risks assessment, the control environment and control activities, information and communication and monitoring. Key business risks have been categorised to highlight the source of the risk, and scored to reflect both financial and reputational impact of the risk and the likelihood of its occurrence.

The Board of Director ("BOD"), Senior Management and all staff of PLS Group play an important role in ensuring the effective management of risks. The Risk Management governance structure sets out the structure used to assign responsibility for managing risks and is based on the following key principles:-

i. Board of Directors – assumes ultimate accountability over the effectiveness of its risk management and internal control system by establishing and supervising the operation of the risk management framework;

ii. Risk Management Committee ("RMC")

   a. The review of the risk management and internal control reports and processes is delegated by the Board to Audit Committee ("AC").
   b. Ensure that there is a structured risk management framework in place;
   c. Review the status of implementation of the policies approved by the Board;
   d. Review the key profile of the organisation and ensures adequate allocation of resources, appropriate measurements are in place for managing the prioritised risks;
   e. Communicate to the Board the changes to the Key Risk Profiles and the course of action to be taken by Senior Management and/or Line Management in managing these risks on periodic basis; and
   f. Approve changes to Risk Profiles based on recommendation by Senior Management assisted by ERM Service Provider.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## RISK MANAGEMENT FRAMEWORK (CONT'D)

The Board of Director ("BOD"), Senior Management and all staff of PLS Group play an important role in ensuring the effective management of risks. The Risk Management governance structure sets out the structure used to assign responsibility for managing risks and is based on the following key principles:- (Cont'd)

iii. Senior Management

   a. Provide further input on identification, assessment, mitigation, monitoring and reporting of risks.
   b. Moderate risk scoring based on group level.
   c. Consider and recommend changes of risk profile to RMC assisted by ERM Service Provider.

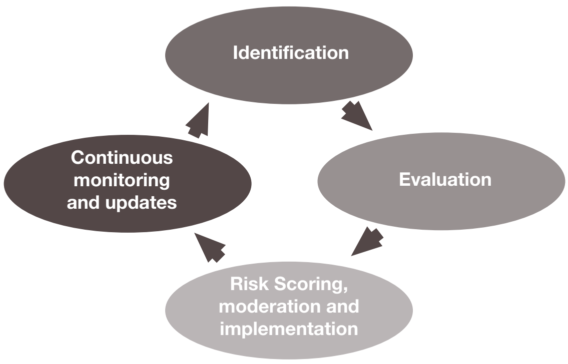
iv. Line Management

   a. The responsibility of risk identification and management of each operating unit lies with the respective Line Management, with the assistance of ERM Services Provider. Any significant risks identified with the corresponding risk management activities are communicated to Senior Management during periodic management meetings before the results are being communicated to the Board.
   b. Involvement in identification, assessment, mitigation, monitoring and reporting of risks that are appropriate to the needs of the organisation.
   c. Implement and manage various controls identified.

v. Internal Audit

   a. Review risk management activities adopted to ensure implementation and effectiveness.

   The ERM process adopted is as follows:-




## SIGNIFICANT OR MAIN PRINCIPAL RISK RELATING TO GROUP'S BUSINESS

The Group has identified the following significant risks that have high potential impact and likelihood to the overall Group's operation and at the same time maintains the risk management system to ensure that the corporate objectives and strategies are achieved within the acceptable risk appetite of the Group.

1. **Prevailing Drop In Oil Palm Prices**

   Arises from increase in stock piles and adverse change in weather. The Group mitigate such risk by monitoring stock piles via MPOB sites and technical bulletins as well as monitoring and ensuring fruits are delivered within the same day or following day to control the quality of fruit produce.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## SIGNIFICANT OR MAIN PRINCIPAL RISK RELATING TO GROUP'S BUSINESS (CONT'D)

The Group has identified the following significant risks that have high potential impact and likelihood to the overall Group's operation and at the same time maintains the risk management system to ensure that the corporate objectives and strategies are achieved within the acceptable risk appetite of the Group. (Cont'd)

2. **Slow Down In Malaysia & Global Economy**

   Arises from global recession/depression, decline in GDP growth, extended low crude prices and depreciation of Ringgit Malaysia (RM) and retrenchments in oil & gas, banking and manufacturing. The Group mitigate such risk by monitoring economic indicators, cautious spending and limiting gearing.

The ERM policy is mandatory for all operating units and forms an integral part of good management practice for the Group. Its purpose is to foster a proactive risk management culture within the Group's companies and departments.

As at the date of the Annual Report, the ERM framework and the Group risk profile are subject to yearly review or as and when necessary.

## INTERNAL AUDIT FUNCTIONS

The internal audit function of the Group was carried out by Bridge Corporate Advisory Sdn. Bhd., an independent professional services provider which provided the Board with much of the assurance it requires regarding the adequacy and effectiveness of the Group's system of controls, procedures and operations and carry out the function according to International Standards for the Professional Practice of Internal Auditing.

Internal audits are undertaken to provide independent assessments of the adequacy, efficiency and effectiveness of the Group's internal control systems, and reports are made to the Audit Committee on a quarterly basis. The Audit Committee also has full access to both internal and external auditors and receives reports on all audits performed.

The internal audit function reviews the internal controls in key activities of the Group's business based on the annual audit plan, which is presented to the Audit Committee for approval. Since the adoption of the Enterprise Risk Management Framework, the internal audit function has taken on a risk-based approach when preparing its audit strategy and plans, after having considered the risk profiles of the operating companies and divisions of the Group. The system of internal control has been structured in such a manner that it has provided reasonable assurance that the likelihood of a significant adverse impact on objectives arising from a future event or situation is at a level acceptable to the business. It achieved this through a combination of preventive, detective and corrective measures.

The audit reports that were tabled to the Audit Committee for their deliberation on quarterly basis include management response and corrective actions taken or to be taken in regards to the specific findings and recommendations. The Management as a whole is responsible for ensuring that the necessary corrective actions on reported weaknesses are promptly taken. The Audit Committee presents its findings regularly to the Board.

## OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's internal control system that are regularly reviewed by the Board are described below:

**A. Project Budget**

Budget is prepared for each project undertaken by the Group to facilitate monitoring of the Group's financial performance. The Senior Management headed by the Managing Director reviews and monitors the achievements of the Group's performance and reports to the Board.

**B. Financial Limits and Approving Authority**

The Board had established Limit of Authorities defining authorisation limits for its revenue and capital expenditure to ensure all revenue and capital expenditure are in line with the Group's overall strategies and objectives.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## OTHER KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)

The other key elements of the Group's internal control system that are regularly reviewed by the Board are described below: (Cont'd)

**C. Policies, Procedures and Guidelines**

Tendering, Human Resource & Administrative, Treasury and Account, Oil Palm Management, Occupational Safety & Health, Sales & Collection and Procurement policies, procedures and guidelines are implemented throughout the group.

**D. Information and Communication**

Financial and operational information systems are in place to capture and present timely internal and external business information. Clear reporting structure enables the financial and operational reports are prepared and presented to the Board or Management for discussion and review on a quarterly basis.

**E. Board / Management Committees and Meetings**

***i. Audit Committee***

The Board has established an Audit Committee comprising three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. Details of composition, terms of reference and report of the Audit Committee are provided at page 31 to 34 of this Annual Report. The recommendations of the Audit Committee are tabled to the Board for its approval.

***ii. Project and Financial Meetings***

The Senior Management presents their respective project reviews, operation performance reviews and the progress of the projects undertaken, to the Board at the Project and Financial meetings which are held on a quarterly basis. The Accountant presents the overall Group's financial performance at the meetings.

**F. Assurances**

The Board has received reasonable assurance from the Managing Director, Executive Director, Accountant and Accounts Manager that, to the best of their knowledge and belief, the Group's risk management and internal control system is operating adequately and effectively, in all material aspect based on the risk management and internal control system of the Group.

Nonetheless, the Board wishes to reiterate that risk management and internal control system should be continuously improved in line with the progressing business development. It should also be noted that risk management and internal control system is only designed to manage and rather than eliminate risks of failure to achieve business objectives. Therefore, it can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed the Statement on Risk Management and Internal Control inclusion in the annual report of the Company for the financial year ended 31 March 2017 pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 revised by Malaysian Institute of Accountant ("MIA") on 11th December 2013 and reported to the Board that nothing has come to their attention that the Statement on Risk Management and Internal Controls intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

## CONCLUSION

The Board is of the view that risk management and internal control system in place for the year under review and up to the date of issuance of the financial statement, is adequate and effective to safeguard shareholders' investment and the Group's asset. Notwithstanding this, reviews of all control procedures will be continuously improved and enhancement of the existing system of risk management and internal controls will be made, taking into consideration the changing business environment.

# AUDIT COMMITTEE REPORT

The Audit Committee was established by the Board of Directors on 16 November 1994 with the primary objectives to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of PLS Plantations Berhad and oversee the compliance with the relevant rules and regulations governing listed companies.

The members of the Audit Committee are as follows:-

**Chairman**
Dato' Haji Ibrahim Bin Haji Keling
(Senior Independent Non-Executive Director)

**Members**
Encik Hisham Bin Mahmood
(Independent Non-Executive Director)

Miss Kang Hui Ling
(Independent Non-Executive Director / Member of the Malaysian Institute of Accountants)

Puan Norliza Binti Suleiman
(Non-Independent Non-Executive Director/ Member of the Malaysian Institute of Accountants)

## TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:-

1. **Size and Composition**

   The Board shall by resolution appoint members to the Audit Committee, which shall comprise of at least three (3) members, all of whom must be Non-Executive Directors with a majority of them being Independent Directors.

   All members of the Audit Committee are financially literate and at least one is a member of the Malaysian Institute of Accountants.

   The Chairman shall be an Independent Non-Executive Director elected by the members of the Committee.

   In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be an independent director to chair the meeting.

   In the event of any vacancy in the Audit Committee, within three (3) months of that event, the Board shall appoint new members to make up the minimum number of three (3) members.

   No alternate director is to be appointed as a member of the Audit Committee.

2. **Meetings**

   Meetings shall be held not less than four (4) times in each financial year. The quorum for each meeting shall be two (2) members, provided that the majority of members present at the meeting must be independent directors. The Audit Committee may invite any person to attend the meetings. The Company Secretary or any person appointed by Audit Committee shall be the Secretary of the Audit Committee. Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and of the Board.

   The Audit Committee shall meet with the external auditors without the presence of any Executive Board members at least twice a year.

3. **Authority**

   The Audit Committee is granted the authority to investigate any activity of the Company and its subsidiaries within its terms of reference. It is authorised to seek information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

# AUDIT COMMITTEE REPORT

## TERMS OF REFERENCE (CONT'D)

The terms of reference of the Audit Committee are as follows:- (Cont'd)

**4. Access**

The Audit Committee shall have unlimited access to all information and documents relevant to its activities, to the External and Internal Auditors, and to Senior Management of the Company and its subsidiaries. The Audit Committee is also authorised to take such independent professional and legal advice as it considers necessary.

## FUNCTIONS OF AUDIT COMMITTEE

The functions of the Audit Committee shall be:-

1. Review the following and report the same to the Board of Directors:-

    a. with the External Auditors, the scope and audit plan, including any changes on the planned scope of the audit plan;
    b. with the External Auditors, their audit report;
    c. the competency of the internal audit function and evaluate the authority it requires to carry out all necessary work to ensure the function can be discharged effectively;
    d. the internal audit programme, processes, the results of the internal audit activities, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
    e. the assistance given by the employees of the Company to the External and Internal Auditors;
    f. the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:-
        i. changes in or implementation of major accounting policies;
        ii. significant and unusual events;
        iii. going concern of entities within the Group; and
        iv. compliance with the applicable approved accounting standards and other legal and regulatory requirements;
    g. any related party transaction 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;
    h. any letter of resignation from the External Auditors of the Company; and
    i. whether there is reason (supported by grounds) to believe that the Company's External Auditors are not suitable for re-appointment.

2. Recommend the nomination of External Auditors.

3. Review the nomination of Internal Auditors.

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad, the terms of reference of the Audit Committee is made available at the Company's website: www.limbongan.com

## SUMMARY OF THE WORK OF THE AUDIT COMMITTEE

The Audit Committee meets on quarterly basis with additional meetings held as and when necessary. A total of five (5) meetings were held during the financial year ended 31 March 2017. The representatives of External Auditors and Internal Auditors, the Company Secretaries and the Head of Group Finance were invited to meetings during deliberations, which required their input and advice.

During the financial year ended 31 March 2017, the activities of the Audit Committee covered, among others, the following:-

**1) Financial Reporting**

a. Reviewed financial statements including unaudited quarterly financial announcements to the Bursa Malaysia Securities Berhad and year end audited financial statements of the Company and the Group and recommend the same for approval by the Board of Directors, upon being satisfied that, inter alia, the financial reporting and disclosure requirements of the relevant authorities had been complied with and release to Bursa Securities.
b. Reviewed the External Auditors' reports in relation to their audit findings and the accounting issues arising from the audit.
c. Reviewed audit plan prepared by the External Auditors before the audit commences.
d. Reviewed audit fees of the External Auditors.

# AUDIT COMMITTEE REPORT

## SUMMARY OF THE WORK OF THE AUDIT COMMITTEE (CONT'D)

During the financial year ended 31 March 2017, the activities of the Audit Committee covered, among others, the following:- (Cont'd)

**2) Internal Audit**

a. Reviewed and approved the annual internal audit plan including its scope, basis of assessments and risks ratings of the proposed areas of audit by the internal audit function.
b. Reviewed audit reports prepared by the Internal Auditors and the consideration of the major findings, recommendations and the Management's response thereto.
c. Reviewed the updated risk profile of the Group and the adequacy and integrity of the internal control systems to manage these risks.
d. Reviewed and discussed with the internal auditors during the Audit Committee Meeting on the performances and issues highlighted in the internal audit function and assessed the effectiveness therein. Follow up on the issues highlighted previously to ensure that appropriate action plans had been carried out by the Management on a timely basis; and
e. Reviewed the compliance of procedures for Shareholders' Mandate for Recurrent Related Party Transactions.

**3) Other**

a. Reviewed the proposed shareholders' circular on Recurrent Related Party Transactions entered by the Group and considered conflicts of interest situations that may arise within the Group.
b. Reviewed the Audit Committee Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control prior to the recommendation of their adoption to the Board and inclusion in the Annual Report.

## ATTENDANCE AT MEETINGS

During the financial year ended 31 March 2017, the Audit Committee convened five (5) meetings. The attendances of the members of the Committee meetings during the financial year were as follows:-

| Name of Committee Member | Attendance |
|---|---|
| Dato' Haji Ibrahim Bin Haji Keling | 4/5 |
| Encik Hisham Bin Mahmood | 5/5 |
| Miss Kang Hui Ling | 4/5 |
| Puan Norliza Binti Suleiman | 5/5 |

## SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The internal audit function of the Group was carried out by Bridge Corporate Advisory Sdn. Bhd., an independent professional services provider whose principal responsibility is to undertake regular and systematic reviews of the system of internal controls, so as to provide reasonable assurance that such systems continue to operate effectively and efficiently. The Internal Audit function is to assist the Board and the Audit Committee to evaluate the system of internal control and to provide their recommendation to the Board and the Management for further improvement. The costs incurred for the Internal Audit Function in respect of the financial year was RM38,000.00.

During the financial year, the Internal Auditors had carried out audits according to the internal audit plan and carry out the function according to International Standards for the Professional Practice of Internal Auditing, which had been approved by the Audit Committee. Internal audits were carried out on:-

- Tender and selection of contractors/suppliers cycle with the objective of ensuring adequate policies and procedures are in place for tendering process and fair selection of suitable sub-contractors/suppliers to support the Group's business objectives.

- Project planning and monitoring cycle with the objective of ensuring adequate policies and procedures are in place for projects to be carried out and completed in accordance to contract awarded to support the Group's business objectives.

# AUDIT COMMITTEE REPORT

## SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION (CONT'D)

- Estate management which covers new planting, harvesting, sales, and maintenance with the objective of ensuring adequate policies and procedures are in place and proper implementation of tender process, various estate related work and reporting process.
- Other cycles with the objective of ensuring adequate policies and procedures are in place for human resource, fixed assets management, accounting and cash management to support the Group's business objectives.
- All significant aspects of internal control including risks management, the control environment and control activities, information and communication and monitoring.

The resulting reports from the audits undertaken were forwarded to the Management for attention and necessary corrective actions as recommended. The Management is responsible for ensuring that corrective actions on reported weaknesses are taken within the required time frame.

# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2017.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the undertaking of civil engineering and construction works. The principal activities of its subsidiaries are disclosed in Note 11 to the financial statements.

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

## RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| (Loss)/Profit for the financial year, net of tax | (11,487) | 1,061 |
| Attributable to: | | |
| Owners of the Company | (8,285) | 1,061 |
| Non-controlling interests | (3,202) | - |
| | (11,487) | 1,061 |

## DIVIDENDS

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

The directors do not recommend the payment of any dividend in respect of the financial year ended 31 March 2017.

## RESERVES OR PROVISIONS

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

## BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

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

## CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

# DIRECTORS' REPORT

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liabilities in respect of the Group or of the Company that has arisen since the end of the financial year, other than those as disclosed in Note 35 to the financial statements.

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

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year.

## DIRECTORS

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

Tan Sri Dato' Lim Kang Yew
Dato' Haji Ibrahim Bin Haji Keling
Tan Sri Dato' Lim Kang Hoo
Hisham Bin Mahmood
Kang Hui Ling
Dato' Lim Kang Poh
Lee Hun Kheng

# DIRECTORS' REPORT

## DIRECTORS (CONT'D)

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are: (Cont'd)

Norliza Binti Suleiman
Lim Guan Shiun (Alternate Director to Dato' Lim Kang Poh)
Abd Razak Bin Mohd Yusoff

## DIRECTORS' INTERESTS

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

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **At 1.4.2016** | **Bought** | **Sold** | **At 31.3.2017** |
| The Company | | | | |
| **Direct interest** | | | | |
| Tan Sri Dato' Lim Kang Yew | 36,175,000 | - | - | 36,175,000 |
| Dato' Lim Kang Poh | 22,323,000 | - | - | 22,323,000 |
| **Indirect interest** | | | | |
| Tan Sri Dato' Lim Kang Hoo | 76,500,000 | - | - | 76,500,000 |
| Lee Hun Kheng | 74,970,000 | - | - | 74,970,000 |

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Tan Sri Dato' Lim Kang Hoo and Lee Hun Kheng are deemed to have an interest in the ordinary shares of the subsidiaries during the financial year to the extent that PLS Plantations Berhad has an interest.

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

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Directors' Remuneration and Note 30 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

# DIRECTORS' REPORT

## DIRECTORS' REMUNERATION

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Directors' fees | | |
| - current year | 95 | 95 |
| Directors' other emoluments | 1,344 | 848 |

Included in the Group's and the Company's directors' other emoluments are benefits-in-kind (based on estimated monetary value) of RM7,000 and Nil respectively.

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 11 to the financial statements.

The auditors' report on the audited financial statements of the subsidiaries did not contain any qualification.

## AUDITORS' REMUNERATION

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Auditors' remuneration: | | |
| - current year | 88 | 44 |
| - prior year | 11 | - |
| Non statutory audit fees: | | |
| - current year | 43 | 43 |
| - prior year | (2) | (2) |

## SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 40 to the financial statements.

## AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

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

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

**TAN SRI DATO' LIM KANG YEW**
Director

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

**LEE HUN KHENG**
Director

Kuala Lumpur

Date: 17 July 2017

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 MARCH 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 5 | 131,623 | 124,733 | 800 | 995 |
| Investment properties | 6 | 418 | 431 | 418 | 431 |
| Forest plantation project | 7 | 29,048 | 29,710 | - | - |
| Plantation development expenditure | 8 | 586,945 | 616,243 | - | - |
| Prepaid lease payments | 9 | 3,407 | 3,999 | - | - |
| Intangible assets | 10 | 1,223 | 1,223 | - | - |
| Investment in subsidiaries | 11 | - | - | 35,600 | 35,600 |
| Performance deposits | 12 | 50,000 | 50,000 | - | - |
| Amount due from a subsidiary | 13 | - | - | 58,168 | 54,754 |
| **Total non-current assets** | | 802,664 | 826,339 | 94,986 | 91,780 |
| **Current assets** | | | | | |
| Inventories | 14 | 830 | 1,441 | - | - |
| Current tax assets | | 1,159 | 1,183 | 1,129 | 1,152 |
| Trade and other receivables | 15 | 5,617 | 6,224 | 1,535 | 1,523 |
| Amount due from a subsidiary | 13 | - | - | 16,326 | 14,878 |
| Fixed deposits placed with licensed banks | 16 | 9,938 | 14,909 | 8,318 | 13,289 |
| Cash and bank balances | | 1,336 | 1,862 | 1,091 | 1,621 |
| **Total current assets** | | 18,880 | 25,619 | 28,399 | 32,463 |
| **TOTAL ASSETS** | | 821,544 | 851,958 | 123,385 | 124,243 |

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 MARCH 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 18 | 69,961 | 65,340 | 69,961 | 65,340 |
| Reserves | 19 | 332,261 | 346,176 | 50,103 | 53,663 |
| Non-controlling interests | | 141,545 | 145,179 | - | - |
| **TOTAL EQUITY** | | 543,767 | 556,695 | 120,064 | 119,003 |
| **Non-current liabilities** | | | | | |
| Amount due to Johor State Government | 20 | - | 4,792 | - | - |
| Borrowings | 21 | 88,754 | 92,189 | - | - |
| Deferred tax liabilities | 22 | 142,406 | 143,066 | - | 19 |
| **Total non-current liabilities** | | 231,160 | 240,047 | - | 19 |
| **Current liabilities** | | | | | |
| Amount due to customers for contract works | 23 | 525 | 15,401 | - | - |
| Trade and other payables | 24 | 30,499 | 25,116 | 2,020 | 1,923 |
| Amount due to a subsidiary | 25 | - | - | 1,301 | 3,298 |
| Amount due to Johor State Government | 20 | 4,793 | 4,472 | - | - |
| Borrowings | 21 | 10,800 | 10,227 | - | - |
| **Total current liabilities** | | 46,617 | 55,216 | 3,321 | 5,221 |
| **TOTAL LIABILITIES** | | 277,777 | 295,263 | 3,321 | 5,240 |
| **TOTAL EQUITY AND LIABILITIES** | | 821,544 | 851,958 | 123,385 | 124,243 |

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

# STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Revenue | 26 | 71,386 | 34,414 | 599 | 2,296 |
| Cost of sales | 27 | (71,764) | (48,004) | (96) | (173) |
| **Gross (loss)/profit** | | (378) | (13,590) | 503 | 2,123 |
| Interest income | | 384 | 630 | 5,249 | 4,874 |
| Other income | | 2,649 | 6,090 | 32 | 4,378 |
| Administrative expenses | | (6,657) | (5,720) | (1,804) | (1,878) |
| Finance costs | 28 | (4,714) | (3,836) | - | (27) |
| Other expenses | | (2,975) | (4,188) | (2,938) | (4,038) |
| **(Loss)/Profit before tax** | 29 | (11,691) | (20,614) | 1,042 | 5,432 |
| Income tax expense | 31 | 204 | 1,209 | 19 | 10 |
| **(Loss)/Profit for the financial year, net of tax** | | (11,487) | (19,405) | 1,061 | 5,442 |
| **Other comprehensive expense, net of tax** | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | |
| Revaluation of property, plant and equipment | | 7,114 | 8,037 | - | - |
| Revaluation of plantation development expenditure | | (8,555) | (19,778) | - | - |
| | | (1,441) | (11,741) | - | - |
| **Total comprehensive (loss)/income for the financial year** | | (12,928) | (31,146) | 1,061 | 5,442 |
| **(Loss)/Profit for the financial year attributable to:** | | | | | |
| Owners of the Company | | (8,285) | (12,578) | 1,061 | 5,442 |
| Non-controlling interests | | (3,202) | (6,827) | - | - |
| | | (11,487) | (19,405) | 1,061 | 5,442 |
| **Total comprehensive (loss)/ income for the financial year attributable to:** | | | | | |
| Owners of the Company | | (9,294) | (20,797) | 1,061 | 5,442 |
| Non-controlling interests | | (3,634) | (10,349) | - | - |
| | | (12,928) | (31,146) | 1,061 | 5,442 |
| **Losses per share (sen)** | 32 | | | | |
| - Basic | | (2.54) | (3.85) | - | - |
| - Diluted | | (2.54) | (3.85) | - | - |

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

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

| | ← Attributable to Owners of the Company → | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital RM'000 | Share premium RM'000 | Assets revaluation reserve RM'000 | Retained profits RM'000 | Reserve of disposal assets classified as held for sale RM'000 | Non-controlling interests RM'000 | Total RM'000 |
| **Group** | | | | | | | |
| At 1 April 2015 | 65,340 | 4,621 | 305,095 | 56,476 | 781 | 155,528 | 587,841 |
| **Transactions with owners** | | | | | | | |
| Reserve attributable to disposal assets classified as held for sale (Note 17) | - | - | - | 781 | (781) | - | - |
| Revaluation of property, plant and equipment | - | - | 7,403 | - | - | 3,173 | 10,576 |
| Deferred taxation liabilities on revaluation surplus of property, plant and equipment | - | - | (1,777) | - | - | (762) | (2,539) |
| | - | - | 5,626 | - | - | 2,411 | 8,037 |
| Revaluation of plantation development expenditure | - | - | (18,217) | - | - | (7,807) | (26,024) |
| Deferred taxation liabilities on revaluation surplus of plantation development expenditure | - | - | 4,372 | - | - | 1,874 | 6,246 |
| | - | - | (13,845) | - | - | (5,933) | (19,778) |
| **Total other comprehensive expense for the financial year** | - | - | (8,219) | - | - | (3,522) | (11,741) |
| **Loss for the financial year, net of tax** | - | - | - | (12,578) | - | (6,827) | (19,405) |
| **Total comprehensive loss for the financial year** | - | - | (8,219) | (12,578) | - | (10,349) | (31,146) |
| At 31 March 2016 | 65,340 | 4,621 | 296,876 | 44,679 | - | 145,179 | 556,695 |

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

| | ← Attributable to Owners of the Company → | | | | | | |
|---|---|---|---|---|---|---|---|
| Group (Cont'd) | Share capital RM'000 | Share premium RM'000 | Assets revaluation reserve RM'000 | Retained profits RM'000 | Reserve of disposal assets classified as held for sale RM'000 | Non-controlling interests RM'000 | Total RM'000 |
| At 1 April 2016 | 65,340 | 4,621 | 296,876 | 44,679 | - | 145,179 | 556,695 |
| Transition to no-par value regime* | 4,621 | (4,621) | - | - | - | - | - |
| **Transactions with owners** | | | | | | | |
| Revaluation of property, plant and equipment | - | - | 6,550 | - | - | 2,809 | 9,359 |
| Deferred taxation liabilities on revaluation surplus of property, plant and equipment | - | - | (1,571) | - | - | (674) | (2,245) |
| | - | - | 4,979 | - | - | 2,135 | 7,114 |
| Revaluation of plantation development expenditure | - | - | (7,879) | - | - | (3,377) | (11,256) |
| Deferred taxation liabilities on revaluation surplus of plantation development expenditure | - | - | 1,891 | - | - | 810 | 2,701 |
| | - | - | (5,988) | - | - | (2,567) | (8,555) |
| **Total other comprehensive expense for the financial year** | - | - | (1,009) | - | - | (432) | (1,441) |
| **Loss for the financial year, net of tax** | - | - | - | (8,285) | - | (3,202) | (11,487) |
| **Total comprehensive loss for the financial year** | - | - | (1,009) | (8,285) | - | (3,634) | (12,928) |
| At 31 March 2017 | 69,961 | - | 295,867 | 36,394 | - | 141,545 | 543,767 |

* Refer to Note 18 for details.

## STATEMENTS OF CHANGES IN EQUITY
### FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

| | ← Attributable to Owners of the Company → | | | | |
|---|---|---|---|---|---|
| | Share capital RM'000 | Share premium RM'000 | Retained profits RM'000 | Reserve of disposal assets classified as held for sale RM'000 | Total RM'000 |
| **Company** | | | | | |
| At 1 April 2015 | 65,340 | 4,621 | 42,819 | 781 | 113,561 |
| Reserve attributable to disposal assets classified as held for sale (Note 17) | - | - | 781 | (781) | - |
| **Profit for the financial year/Total comprehensive income for the financial year** | - | - | 5,442 | - | 5,442 |
| At 31 March 2016 | 65,340 | 4,621 | 49,042 | - | 119,003 |
| Transition to no-par value regime * | 4,621 | (4,621) | - | - | - |
| **Profit for the financial year/Total comprehensive income for the financial year** | - | - | 1,061 | - | 1,061 |
| At 31 March 2017 | 69,961 | - | 50,103 | - | 120,064 |

* Refer to Note 18 for details.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Cash flows from operating activities:** | | | | |
| (Loss)/Profit before tax | (11,691) | (20,614) | 1,042 | 5,432 |
| Adjustments for: | | | | |
| Amortisation of prepaid lease payments | 592 | 593 | - | - |
| Amortisation of forest plantation project | 662 | 175 | - | - |
| Amortisation of deferred interests | 1,286 | 1,284 | - | - |
| Amortisation of plantation development expenditure | 18,601 | 15,296 | - | - |
| Bad debt written off | 33 | 3 | - | 3 |
| Depreciation of property, plant and equipment | 3,392 | 3,195 | 207 | 214 |
| Depreciation of investment property | 13 | 12 | 13 | 12 |
| Gain on disposal of property, plant and equipment | (73) | (4,075) | - | (4,075) |
| Gain on disposal of assets held for sale | - | (294) | - | (294) |
| Impairment loss on plantation development expenditure | - | 686 | - | - |
| Impairment loss on trade and other receivables | - | 135 | - | - |
| Interest expense | 3,428 | 2,525 | - | - |
| Interest income | (384) | (630) | (5,249) | (4,873) |
| Interest (income)/expense from effect of discounting on retention sum | (28) | 27 | (27) | 27 |
| Property, plant and equipment written off | - | 5 | - | 5 |
| Write-back of impairment loss on trade and other receivables | (12) | (3) | - | - |
| Write-down of inventories to net realisable value | - | 74 | - | - |
| Plantation development expenditure written off | 15,292 | - | - | - |
| | 31,111 | (1,606) | (4,014) | (3,549) |
| Changes in working capital: | | | | |
| Inventories | 611 | 2,633 | - | - |
| Trade and other receivables | 586 | 11,331 | (12) | 2,282 |
| Trade and other payables | 4,917 | (12,331) | 124 | (412) |
| Amount due from contract customers | (14,876) | 4,260 | - | - |
| Net cash flows from/(used in) operations | 22,349 | 4,287 | (3,902) | (1,679) |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Cash flows from operating activities (Cont'd):** | | | | |
| Tax refund/(paid) | 24 | (239) | 23 | (239) |
| Net cash flows from/(used in) operating activities | 22,373 | 4,048 | (3,879) | (1,918) |
| **Cash flows from investing activities:** | | | | |
| Interest received | 384 | 630 | 384 | 625 |
| Proceeds from disposal of property, plant and equipment | 73 | 4,500 | - | 4,500 |
| Proceeds from disposal of assets held for sale | - | 2,178 | - | 2,178 |
| Acquisition of property, plant and equipment * | (1,015) | (357) | (12) | (8) |
| Additions to plantation development expenditure ** | (12,325) | (16,158) | - | - |
| Net repayment to subsidiaries | - | - | (1,994) | (9,796) |
| Net cash flows used in investing activities | (12,883) | (9,207) | (1,622) | (2,501) |
| **Cash flows from financing activities:** | | | | |
| Decrease/(increase) in pledged deposits placed with licensed banks | 139 | (5) | 139 | (5) |
| Interest paid | (6,030) | (5,482) | - | - |
| Proceeds from drawdown of term loan | 7,183 | 17,818 | - | - |
| Repayments of finance lease liabilities | (620) | (541) | - | - |
| Repayment of term loan | (9,763) | (7,933) | - | - |
| Repayment to Johor State Government | (5,757) | (5,757) | - | - |
| Net cash flows (used in)/from financing activities | (14,848) | (1,900) | 139 | (5) |
| Net decrease in cash and cash equivalents | (5,358) | (7,059) | (5,362) | (4,424) |
| **Cash and cash equivalents at the beginning of the financial year** | 15,013 | 22,072 | 14,771 | 19,195 |
| **Cash and cash equivalents at the end of the financial year** | 9,655 | 15,013 | 9,409 | 14,771 |
| **Analysis of cash and cash equivalents:** | | | | |
| Fixed deposits placed with licensed banks | 9,938 | 14,909 | 8,318 | 13,289 |
| Cash and bank balances | 1,336 | 1,862 | 1,091 | 1,621 |
| | 11,274 | 16,771 | 9,409 | 14,910 |
| Less: Fixed deposits held as security value (Note 16) | (1,619) | (1,758) | - | (139) |
| | 9,655 | 15,013 | 9,409 | 14,771 |

* *During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM1,353,000 (2016: RM1,428,000) and RM12,000 (2016: RM8,000) respectively, of which RM338,000 (2016: RM1,071,000) and Nil (2016: Nil) respectively were acquired by means of finance lease arrangements.*

** *During the financial year, the Group incurred plantation development expenditure with an aggregate cost of RM15,851,000 (2016: RM20,904,000), of which RM430,000 (2016: RM428,000) and RM3,096,000 (2016: RM4,317,000) was depreciation of property, plant and equipment and interest capitalised.*

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

PLS Plantations Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Unit No. 9-01, Level 9, Menara TSR, No. 12, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Unit No. 9-01, Level 9, Menara TSR, No. 12, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

The Company is principally engaged in the undertaking of civil engineering and construction works. The principal activities of its subsidiaries are disclosed in Note 11 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 July 2017.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Fundamental accounting principle

During the financial year ended 31 March 2017, the Group incurred a net loss of RM11,487,000 and, as of that date, the Group's current liabilities exceeded its current assets by RM27,737,000.

The directors of the Company are of the opinion that the preparation of the financial statements of the Group on a going concern basis remains appropriate after considering the cash flows generated from the operations of the Group and the available financing facilities supporting the assessment of the Group's ability to continue as a going concern of at least 12 months from the end of the financial year.

### 2.3 Adoption of amendments/improvements to FRSs

The Group and the Company have adopted the following amendments/improvements to FRSs that are mandatory for the current financial year:

<u>Amendments/Improvements to FRSs</u>

| | |
|---|---|
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| FRS 7 | Financial Instruments: Disclosures |
| FRS 10 | Consolidated Financial Statements |
| FRS 11 | Joint Arrangements |
| FRS 12 | Disclosure of Interest in Other Entities |
| FRS 101 | Presentation of Financial Statements |
| FRS 116 | Property, Plant and Equirment |
| FRS 119 | Employee Benefits |
| FRS 127 | Separate Financial Statements |
| FRS 128 | Investments in Associates and Joint Ventures |
| FRS 138 | Intangible Assets |

The adoption of the above amendments/improvements to FRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below:

**Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations**

Amendments to FRS 5 introduce specific guidance on when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution is discontinued.

## NOTES TO THE FINANCIAL STATEMENTS

**2. BASIS OF PREPARATION (CONT'D)**

2.3 **Adoption of amendments/improvements to FRSs (Cont'd)**

**Amendments to FRS 7 Financial Instruments: Disclosures**

Amendments to FRS 7 provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of FRS 7.

The amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to FRS 7) to condensed interim financial statements.

**Amendments to FRS 12 Disclosure of Interests in Other Entities**

Amendments to FRS 12 clarify that entities classified as held for sale are required to apply all the disclosure requirements of FRS 12 except for the disclosure requirements set out in paragraphs B10-B16.

**Amendments to FRS 101 Presentation of Financial Statements**

Amendments to FRS 101 improve the effectiveness of disclosures. The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

**Amendments to FRS 116 Property, Plant and Equipment**

Amendments to FRS 116 prohibit revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

**Amendments to FRS 119 Employee Benefits**

Amendments to FRS 119 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at a currency level.

**Amendments to FRS 127 Separate Financial Statements**

Amendments to FRS 127 allow a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

**Amendments to FRS 138 intangible Assets**

Amendments to FRS 138 introduce a rebuttable presumption that the revenue-based amortisation method is inappropriate. This presumption can be overcome only in the following limited circumstances:

- when the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

2.4 **New FRS, amendments/improvements to FRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective**

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

| | | Effective for financial periods beginning on or after |
|---|---|---|
| New FRS | | |
| FRS 9 | Financial Instruments | 1 January 2018 |

# NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (CONT'D)

### 2.4 New FRS, amendments/improvements to FRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Cont'd)

The Group and the Company have not adopted the following new FRS, amendments/improvements to FRSs and new IC Int that have been issued, but yet to be effective: (Cont'd)

| | | Effective for financial periods beginning on or after |
|---|---|---|
| Amendments/Improvements to FRSs | | |
| FRS 1 | First-time adoption of FRSs | 1 January 2018 |
| FRS 2 | Share-based Payment | 1 January 2018 |
| FRS 4 | Insurance Contracts | 1 January 2018 |
| FRS 10 | Consolidated Financial Statements | Deferred |
| FRS 12 | Disclosure of Interests in Other Entities | 1 January 2017 |
| FRS 107 | Statement of Cash Flows | 1 January 2017 |
| FRS 112 | Income Taxes | 1 January 2017 |
| FRS 128 | Investments in Associates and Joint Ventures | 1 January 2018/ Deferred |
| FRS 140 | Investment Property | 1 January 2018 |
| New IC Int. | | |
| IC Int 22 | Foreign Currency Transactions and Advance Consideration | |

A brief discussion on the above significant new FRSs and amendments/improvements to FRSs are summarised below. Due to the complexity of these new FRS and amendments/improvements to FRSs, the financial effects of their adoption are currently still being assessed by the Group and the Company.

***FRS 9 Financial Instruments***

Key requirements of FRS 9:

- FRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- FRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- FRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

**2. BASIS OF PREPARATION (CONT'D)**

2.4 **New FRS, amendments/improvements to FRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Cont'd)**

***Amendments to FRS 1 First-time Adoption of FRSs***

Amendments to FRS 1 deleted the short-term exemptions that relate to FRS 7 *Financial Instruments: Disclosure,* FRS 119 *Employee Benefits* and FRS 10 *Consolidated Financial Statements* because they are no longer applicable.

***Amendments to FRS 107 Statement of Cash Flows***

Amendments to FRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

***Amendments to FRS 112 Income Taxes***

Amendments to FRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

**MASB Approved Accounting Standards, MFRSs**

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the MASB had on 19 November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Int 15 Agreements for the Construction of Real Estate ("Transitioning Entities"). The Transitioning Entities are given an option to defer the adoption of MFRSs Framework and shall apply the MFRSs framework for annual periods beginning on or after 1 January 2018. Transitioning Entities also include those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are Transitioning Entities have chosen to defer the adoption of the MFRSs framework. As such, the Group and the Company will prepare their first MFRSs financial statements using the MFRSs framework for financial year ending 31 March 2019. The main effects arising from the transition to the MFRSs Framework are discussed below.

The effect is based on the Group's and the Company's best estimates at the reporting date. The financial effects may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

***Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")***

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

# NOTES TO THE FINANCIAL STATEMENTS

**2. BASIS OF PREPARATION (CONT'D)**

2.4 **New FRS, amendments/improvements to FRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Cont'd)**

**MASB Approved Accounting Standards, MFRSs (Cont'd)**

***Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") (Cont'd)***

The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

***MFRS 15 Revenue from Contracts with Customers***

The core principle of MFRS 15 is that an entity recognises revenue to 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. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Group is currently assessing the impact of the adoption of this standard.

***MFRS 16 Leases***

Currently under MFRS 117 *Leases,* leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases. Due to the complexity of this new MFRS, the financial effects of its adoption are currently still being assessed by the Group and the Company.

***MFRS 141 Agriculture***

MFRS 141 requires a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. MFRS 141 also requires agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Gains or losses arising on initial recognition of a biological asset and the agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the profit or loss for the period in which it arises.

The Group is currently assessing the impact of the adoption of this standard.

***Amendments to MFRS 116 Property, Plant and Equipment and Amendments to MFRS 141 Agriculture***

With the amendments, bearer plants would come under the scope of MFRS 116 and would be accounted for in the same way as property, plant and equipment. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

# NOTES TO THE FINANCIAL STATEMENTS

**2. BASIS OF PREPARATION (CONT'D)**

2.4 **New FRS, amendments/improvements to FRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (Cont'd)**

<u>MASB Approved Accounting Standards, MFRSs (Cont'd)</u>

***Amendments to MFRS 116 Property, Plant and Equipment and Amendments to MFRS 141 Agriculture (Cont'd)***

Nevertheless, the produce growing on the bearer plant would remain within the scope of MFRS 141. This is because the growth of the produce directly increases the expected revenue from the sale of the produce. Moreover, fair value measurement of the growing produce provides useful information to users of financial statements about future cash flows that an entity will actually realise as the produce will ultimately be detached from the bearer plants and sold separately.

The Group is currently assessing the impact of the adoption of this standard.

2.5 **Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

2.6 **Basis of measurement**

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.7 **Use of estimates and judgement**

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4 to the financial statements.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

3.1 **Basis of Consolidation**

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

(i) ***Subsidiaries and business combination***

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Basis of Consolidation (Cont'd)

(i) ***Subsidiaries and business combination (Cont'd)***

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

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

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

The accounting policy for goodwill is set out in Note 3.7.

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

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously been recognised in other comprehensive income are reclassified to profit or loss or transferred to retained earnings where such treatment would be appropriate if that interest were disposed off directly.

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

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

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

(ii) ***Non-controlling interests***

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

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

# NOTES TO THE FINANCIAL STATEMENTS

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.1 **Basis of Consolidation (Cont'd)**

(iii) ***Transactions eliminated on consolidation***

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

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

3.2 **Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the financial position are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the profit or loss.

3.3 **Property, plant and equipment and depreciation**

(i) ***Recognition and measurement***

Property, plant and equipment (other than leasehold lands) are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Leasehold lands are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materiality from the fair value of the leasehold lands at the reporting date.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Property, plant and equipment and depreciation (Cont'd)

(ii) ***Subsequent costs***

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) ***Depreciation and impairment***

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term in which case they will be depreciated over their useful lives. Freehold land is not depreciated. Capital work-in-progress is not depreciated until the asset is ready for its intended use.

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

The policy for the recognition and measurement of impairment loss is in accordance with Note 3.14(ii) to the financial statements.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Leasehold land | Over the remaining lease period of 90 to 92 years |
| Buildings | 50 years |
| Plant and machinery | 5 to 20 years |
| Office equipment | 3 to 10 years |
| Motor vehicles | 5 years |
| Fixture and fittings | 5 to 10 years |
| Chipping plant factory | 33 years |
| Renovation | 6 to 50 years |

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### 3.4 Leased assets

(i) ***Finance lease***

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 **Leased assets (Cont'd)**

(ii) ***Operating lease***

Leases, where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position of the Group or the Company.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

3.5 **Plantation development expenditure**

Plantation development expenditure represents pre-cropping costs incurred on land preparation, construction of drains, roads and irrigation, fertilisation, plant and planting, labour and any general overheads directly attributed to the development of the rootstock. Pre-cropping costs incurred are capitalised at cost and amortised over the useful life of the rootstock commencing from the date of maturity of the rootstock.

Plantation development expenditure stated at valuation will be revalued with sufficient regularity by an independent valuer. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case, the increase is recognised in the profit or loss to the extent of the decrease previously recognised.

A revaluation decrease is first offset against an increase on unutilised revaluation surplus previously recognised in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

The estimated useful life for oil palm ranges from 20 to 25 years from the maturity date. The maturity date for oil palm is 5 years from the date of planting. The maturity date for acacia is 7 years from the date of planting.

Interest costs on borrowings that are directly attributed to new planting or replanting incurred prior to maturity are also included in the pre-cropping costs.

The policy for the recognition and measurement of impairment loss is in accordance with Note 3.14(ii) to the financial statements.

3.6 **Forest plantation project**

The forest plantation project is to be amortised to the profit or loss over the management period ("Management Period") of sixty (60) years based on the following formula:

$$\frac{\text{Sales Volume}}{\text{Projected Total Commercial Extractable Volume for the Management Period}} \times \text{Cost of Forest Plantation Project}$$

The projected total commercial extractable volume for the management period is based on the extractable volume projected by an independent professional firm of valuers.

The policy for the recognition and measurement of impairment loss is in accordance with Note 3.14(ii) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Intangible assets

**Goodwill**

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses in accordance with Note 3.14(iii).

### 3.8 Investment property

(i) ***Investment property carried at cost***

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any allowance for impairment, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 3.14(ii) to the financial statements.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings.

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

(ii) ***Determination of fair value***

The directors estimate the fair values of the Group's investment properties without involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate, the type of tenants actually in occupation and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 6 and Note 38 to the financial statements.

### 3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost of inventories includes raw material, direct labour, and a proportion of operating overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 Financial instruments

(i) ***Financial assets***

***Initial recognition***

Financial assets within the scope of FRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determine the classification of its financial assets at initial recognition. Financial assets are recognised on the statement of financial position when, and only when the Group and the Company become a party to the contractual provisions of the financial instruments.

Financial assets are recognised initially at fair value, and in the case of financial assets not at fair value through profit or loss, at fair values plus directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

***Subsequent measurement***

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

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with changes in fair value being recognised in the profit or loss.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

<u>Held-to-maturity financial assets</u>

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the EIR method less impairment. The losses arising from impairment are recognised in the profit or loss. If the Group and the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale and prevent the Group and the Company from classifying the aforementioned financial assets as held-to-maturity for the current and the following two financial years. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

<u>Available-for-sale financial assets</u>

Available-for-sale financial assets are non-derivative financial assets that are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the profit or loss. Available-for-sale financial assets are measured at cost if the fair value of the unquoted equity instrument cannot be reliably measured.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 Financial instruments (Cont'd)

(i) ***Financial assets (Cont'd)***

***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

(ii) ***Financial liabilities***

***Initial recognition***

Financial liabilities within the scope of FRS 139 are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. Financial liabilities are recognised initially at fair value and in the case of the other financial liabilities, at fair value plus directly attributable transaction costs.

***Subsequent measurement***

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

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the profit or loss.

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss.

<u>Other financial liabilities</u>

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

***Derecognition***

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

(iii) ***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 receivable fails to make payment when due.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 Financial instruments (Cont'd)

(iii) ***Financial guarantee contracts (Cont'd)***

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the receivable fails to make payment relating to financial guarantee contract when it is due and the Group, 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.

### 3.11 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers for contract works. When the progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers for contract works.

### 3.12 Share capital

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

Interim dividends on ordinary shares are recognised as liabilities when declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

### 3.13 Fair value measurement

The Group measures financial instruments non-financial assets such as plantation development expenditure and agricultural leased lands at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 37 to the financial statements.

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

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

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

The fair value of an asset or 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.13 Fair value measurement (Cont'd)

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

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

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

(i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets and liabilities.
(ii) Level 2 - Valuation techniques for which 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 input that is significant to the fair value measurement is unobservable.

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

The Group's management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement.

External valuers are involved for valuation of significant assets, such as properties, plantation development expenditure and significant liabilities, such as contingent consideration. Selection criteria of external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

The management and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 3.14 Impairment

(i) ***Financial assets***

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an impairment loss when such evidence exists.

Loans and receivables

Significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

# NOTES TO THE FINANCIAL STATEMENTS

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.14 **Impairment (Cont'd)**

(i) ***Financial assets (Cont'd)***

Loans and receivables (Cont'd)

The carrying amount of these assets is reduced through the use of an allowance for impairment account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) ***Non-financial assets other than goodwill***

Non-financial assets other than goodwill ("Non-financial assets") of the Group and of the Company at the reporting date consist of property, plant and equipment, prepaid lease payments, plantation development expenditure, intangible assets, investment property, forest plantation project, performance deposits and investment in subsidiaries. Non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value-in-use.

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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss unless it reverses a previous revaluation in which case it will be charged to equity.

An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(iii) ***Goodwill***

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.14 Impairment (Cont'd)

(iii) ***Goodwill (Cont'd)***

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

### 3.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### 3.16 Employee benefits

(i) ***Short term employee benefits***

Wages, salaries, bonuses and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by the 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 and maternity leave are recognised when absences occur.

(ii) ***Post-employment benefits***

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

### 3.17 Revenue recognition

(i) ***Construction contracts***

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentives payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date over the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.17 Revenue recognition (Cont'd)

(ii) ***Goods sold***

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(iii) ***Logging income***

Revenue from logging is measured at the fair value of the consideration receivable and is recognised in the profit or loss when the rights of logging have been transferred to logging contractor.

(iv) ***Management fee***

Management fee is recognised when services are rendered and on an accrual basis.

(v) ***Rental income***

Rental income from investment property is recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(vi) ***Interest income***

Interest income is accrued and recognised on a time-apportioned basis by reference to principal outstanding at the effective interest rate.

### 3.18 Borrowing costs

All borrowing costs are recognised in the profit or loss using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

The difference between the nominal amount payable and the present value of deferred privatisation consideration is recognised as interest expense over the repayment period of the privatisation consideration.

### 3.19 Taxation

(i) ***Current tax***

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.19 **Taxation (Cont'd)**

(ii) ***Deferred tax***

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

The carrying amount of deferred tax assets, if any, 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the assets realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt in equity.

(iii) ***Goods and services tax***

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

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

3.20 **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, deposits and demand deposits that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

3.21 **Earnings Per Share**

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.22 **Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earns revenue and incurs expenses; including revenue and expenses relating to transactions with the Group's other components. All operating segment's operating results are reviewed by the Group's directors to make decisions about resources allocation to the segment and assess its performance, and for which discrete financial information is available.

3.23 **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.23 Related parties (Cont'd)

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity.

### 3.24 Non-current asset held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale or distribution, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

### 4.1 Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.3, the Group and the Company review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's and the Company's property, plant and equipment are disclosed in Note 5.

### 4.2 Useful lives of oil palm plantation development expenditure

The cost of oil palm plantation development expenditure are amortised on a straight line basis over the assets' estimated economic useful lives. The management estimates the useful lives of this asset ranging from 20 to 25 years. The management is of the view that these useful lives are the common life expectancies applied in the oil palm industry.

### 4.3 Impairment of non-financial assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. The Group and the Company use their judgement to decide the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's and the Company's financial positions and results if the actual cash flows are less than expected.

The carrying amounts of the non-financial assets are disclosed in Notes 5, 6, 7, 8, 9, 10 and Note 12.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

### 4.4 Impairment of financial assets

The Group and the Company recognise impairment losses for loans and receivables using the incurred loss model. At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

The carrying amounts of the Group's and the Company's financial assets are disclosed in Note 37.

### 4.5 Measurement of income taxes

Significant judgement is required in determining the Group's and the Company's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of the Group and the Company are disclosed in Note 31.

### 4.6 Impairment of investment in subsidiaries

The directors follow the guidance of FRS 136 *Impairment of Assets* in determining whether investment in subsidiaries is impaired. This requires assumption to be made regarding the duration and extent to which the fair value of an investment is less than its costs, the financial health, and near-term business outlook of the investments including factors such as industry and sector performance, changes in technology and operational and financing cash flows. The directors' assessment for impairment of investment in subsidiaries is based on the estimation of value-in-use of the cash-generating unit ("CGU") by forecasting the expected future cash flows, using a suitable discount rate to calculate the present value of those cash flows. The Company's carrying amount of investment in subsidiaries at 31 March 2017 was RM35,600,002 (2016: RM35,600,002).

### 4.7 Construction revenue and expenses

The Group recognised construction revenue and expenses in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgements are required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and cost, as well as recoverability of the construction projects. In making the judgement, the directors' evaluation is based on past experience and by relying on the work of specialists. The accumulated profits recognised for the construction project of the Group and of the Company amounted to RM160,417,000 (2016: RM145,222,000) and RM60,300,000 (2016: RM59,797,000). Any difference in the estimation of total contract revenue and cost will impact the results of the Group and the Company.

### 4.8 Write down of obsolete or slow moving inventories

The Group and the Company write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amounts of the Group's and the Company's inventories are disclosed in Note 14.

## NOTES TO THE FINANCIAL STATEMENTS

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

4.9 **Revaluation of property, plant and equipment, and plantation development expenditure**

The Group and the Company measure its leasehold land and buildings and plantation development expenditure at revalued amount with changes in fair value being recognised in other comprehensive income. The Group and the Company engaged independent valuation specialists to determine the fair value. The carrying amount of the leasehold land and buildings, and plantation development expenditure at the end of the reporting period, and the relevant revaluation bases, are disclosed in Note 5 and Note 8 to the financial statements.

4.10 **Classification of finance and operating leases**

The Group and the Company classify a lease as a finance lease or an operating lease based on the criterion of the extent to which significant risks and rewards incident to ownership of the underlying asset lie. As a lessee, the Group and the Company recognise a lease as a finance lease if it is exposed to significant risks and rewards incident to ownership of the underlying asset. In applying judgements, the Group and the Company consider whether there is significant economic incentive to exercise a purchase option and any optional renewal periods. A lease is classified as a finance lease if the lease term is for at least 75% the remaining economic life of the underlying asset, the present value of lease payments is at least 90% of the fair value of the underlying asset, or the identified asset in the lease is a specialised asset which can only be used by the leasee without major modifications. All other leases that do not result in a significant transfer of risks and rewards are classified as operating leases.

4.11 **Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair value are measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The information on the fair value measurements of financial assets and liabilities are disclosed in Note 37.

4.12 **Impairment of goodwill**

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. When value-in-use calculations are undertaken, the Group uses its judgement to decide the discount rates to be applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units are disclosed in Note 10.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. PROPERTY, PLANT AND EQUIPMENT

| Group | At Cost | | | | | | | | At valuation | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Office equipment RM'000 | Motor vehicles RM'000 | Fixture and fittings RM'000 | Chipping plant factory RM'000 | Renovation RM'000 | Leasehold land RM'000 | Total RM'000 |
| **2017** | | | | | | | | | | |
| **Cost or valuation** | | | | | | | | | | |
| At 1 April 2016 | - | 6,363 | 30,500 | 1,066 | 5,464 | 1,811 | 5,301 | 765 | 104,859 | 156,129 |
| Additions | - | 57 | 926 | 63 | 265 | 42 | - | - | - | 1,353 |
| Revaluation surplus | - | - | - | - | - | - | - | - | 9,359 | 9,359 |
| Disposals | - | - | (100) | (1) | (431) | - | - | - | - | (532) |
| Elimination of accumulated depreciation on revaluation | - | - | - | - | - | - | - | - | (1,164) | (1,164) |
| At 31 March 2017 | - | 6,420 | 31,326 | 1,128 | 5,298 | 1,853 | 5,301 | 765 | 113,054 | 165,145 |
| **Accumulated depreciation and impairment loss** | | | | | | | | | | |
| At 1 April 2016 | - | 550 | 22,755 | 775 | 3,907 | 1,457 | 1,858 | 94 | - | 31,396 |
| Depreciation for the financial year | - | 129 | 1,603 | 90 | 540 | 68 | 159 | 69 | 1,164 | 3,822 |
| Disposals | - | - | (100) | (1) | (431) | - | - | - | - | (532) |
| Elimination of accumulated depreciation on revaluation | - | - | - | - | - | - | - | - | (1,164) | (1,164) |
| At 31 March 2017 | - | 679 | 24,258 | 864 | 4,016 | 1,525 | 2,017 | 163 | - | 33,522 |
| **Carrying amount as at 31 March 2017** | - | 5,741 | 7,068 | 264 | 1,282 | 328 | 3,284 | 602 | 113,054 | 131,623 |

5. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

| Group (Cont'd) | Freehold land RM'000 (At Cost) | Buildings RM'000 (At Cost) | Plant and machinery RM'000 (At Cost) | Office equipment RM'000 (At Cost) | Motor vehicles RM'000 (At Cost) | Fixture and fittings RM'000 (At Cost) | Chipping plant factory RM'000 (At Cost) | Renovation RM'000 (At Cost) | At valuation Leasehold land RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | | | | |
| **Cost or valuation** | | | | | | | | | | |
| At 1 April 2015 | 98 | 6,857 | 29,543 | 1,561 | 5,265 | 1,788 | 5,301 | 786 | 95,329 | 146,528 |
| Additions | - | 96 | 957 | 37 | 268 | 67 | - | 3 | - | 1,428 |
| Revaluation surplus | - | - | - | - | - | - | - | - | 10,576 | 10,576 |
| Disposals/Written off | (98) | (590) | - | (513) | (69) | (87) | - | - | - | (1,357) |
| Reclassification | - | - | - | (19) | - | 43 | - | (24) | - | - |
| Elimination of accumulated depreciation on revaluation | - | - | - | - | - | - | - | - | (1,046) | (1,046) |
| At 31 March 2016 | - | 6,363 | 30,500 | 1,066 | 5,464 | 1,811 | 5,301 | 765 | 104,859 | 156,129 |
| **Accumulated depreciation and impairment loss** | | | | | | | | | | |
| At 1 April 2015 | - | 684 | 21,282 | 1,191 | 3,398 | 1,466 | 1,699 | 26 | - | 29,746 |
| Depreciation for the financial year | - | 129 | 1,473 | 111 | 578 | 59 | 159 | 68 | 1,046 | 3,623 |
| Disposals/Written off | - | (263) | - | (508) | (69) | (87) | - | - | - | (927) |
| Reclassification | - | - | - | (19) | - | 19 | - | - | - | - |
| Elimination of accumulated depreciation on revaluation | - | - | - | - | - | - | - | - | (1,046) | (1,046) |
| At 31 March 2016 | - | 550 | 22,755 | 775 | 3,907 | 1,457 | 1,858 | 94 | - | 31,396 |
| **Carrying amount as at 31 March 2016** | - | 5,813 | 7,745 | 291 | 1,557 | 354 | 3,443 | 671 | 104,859 | 124,733 |

## NOTES TO THE FINANCIAL STATEMENTS

5. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

| | At Cost | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Company** | **Freehold land RM'000** | **Buildings RM'000** | **Plant and machinery RM'000** | **Office equipment RM'000** | **Motor vehicles RM'000** | **Fixture and fittings RM'000** | **Renovation RM'000** | **Total RM'000** |
| **2017** | | | | | | | | |
| **Cost or valuation** | | | | | | | | |
| At 1 April 2016 | - | - | 898 | 180 | 1,419 | 139 | 415 | 3,051 |
| Additions | - | - | - | 12 | - | - | - | 12 |
| At 31 March 2017 | - | - | 898 | 192 | 1,419 | 139 | 415 | 3,063 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 April 2016 | - | - | 898 | 41 | 1,002 | 42 | 73 | 2,056 |
| Depreciation for the financial year | - | - | - | 17 | 117 | 11 | 62 | 207 |
| At 31 March 2017 | - | - | 898 | 58 | 1,119 | 53 | 135 | 2,263 |
| **Carrying amount as at 31 March 2017** | - | - | - | 134 | 300 | 86 | 280 | 800 |

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| Company (Cont'd) | Freehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Office equipment RM'000 | Motor vehicles RM'000 | Fixture and fittings RM'000 | Renovation RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| | At Cost | | | | | | | |
| **2016** | | | | | | | | |
| **Cost or valuation** | | | | | | | | |
| At 1 April 2015 | 98 | 590 | 898 | 707 | 1,455 | 207 | 412 | 4,367 |
| Additions | - | - | - | 5 | - | - | 3 | 8 |
| Disposals/Written off | (98) | (590) | - | (513) | (36) | (87) | - | (1,324) |
| Reclassification | - | - | - | (19) | - | 19 | - | - |
| At 31 March 2016 | - | - | 898 | 180 | 1,419 | 139 | 415 | 3,051 |
| **Accumulated depreciation** | | | | | | | | |
| At 1 April 2015 | - | 261 | 898 | 552 | 914 | 99 | 12 | 2,736 |
| Depreciation for the financial year | - | 3 | - | 15 | 124 | 11 | 61 | 214 |
| Disposals/Written off | - | (264) | - | (507) | (36) | (87) | - | (894) |
| Reclassification | - | - | - | (19) | - | 19 | - | - |
| At 31 March 2016 | - | - | 898 | 41 | 1,002 | 42 | 73 | 2,056 |
| **Carrying amount as at 31 March 2016** | - | - | - | 139 | 417 | 97 | 342 | 995 |

# NOTES TO THE FINANCIAL STATEMENTS

## 5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### (a) Assets under finance leases

The net carrying amount of property, plant and equipment held under finance lease arrangements are as follows:

| | Group 2017 RM'000 | Group 2016 RM'000 |
|---|---|---|
| Motor vehicles | 491 | 515 |
| Plant and machinery | 1,112 | 1,377 |
| | 1,603 | 1,892 |

### (b) Capitalisation of depreciation

Depreciation expense amounting to RM430,000 (2016: RM428,000) was capitalised under plantation development expenditure during the financial year as stated in Note 8 to the financial statements.

### (c) Revaluation of leasehold lands

Leasehold lands have been revalued at the reporting date based on valuations performed by accredited independent valuers. The valuations are based on the comparison method that was carried out on 31 March 2017.

The fair value hierarchy disclosure for leasehold lands are disclosed in Note 38 to the financial statements.

During the financial year, a revaluation surplus of RM9,359,000 was recognised, representing an increase in fair value of leasehold land (Note 19 to the financial statements).

Had the revalued leasehold lands been carried at historical cost less accumulated depreciation, the net carrying amount of the leasehold lands that would been included in the financial statements of the Group is as follows:

| | Group 2017 RM'000 | Group 2016 RM'000 |
|---|---|---|
| Leasehold lands as at 31 March | | |
| - Cost | 2,695 | 2,695 |
| - Accumulated amortisation | (266) | (239) |
| - Net carrying amount | 2,429 | 2,456 |

### (d) Assets pledged as security

Leasehold lands with net carrying amount of RM113,053,000 (2016: RM104,859,000) have been pledged as security to secure term loan of the Group as disclosed in Note 21(b) to the financial statements.

### (e) Lease period for leasehold lands

Leasehold lands consisting of lands with net carrying amount of RM113,053,000 which have a lease period of more than 50 years.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT PROPERTIES

| | Leasehold buildings with unexpired period more than 50 years Group and Company | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| **Cost** | | |
| At 1 April/31 March | 626 | 626 |
| **Accumulated depreciation** | | |
| At 1 April | 195 | 183 |
| Depreciation for the financial year | 13 | 12 |
| At 31 March | 208 | 195 |
| **Net carrying amount as at 31 March** | 418 | 431 |
| **Fair value as at 31 March** | 660 | 660 |

(a) The following are recognised in the profit or loss in respect of investment properties:

| | Group and Company | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Rental income | 5 | 7 |
| Direct operating expenses: | | |
| - income-generating investment properties | (1) | (1) |

(b) The fair value of the investment properties are determined by using comparison method.

The fair value hierarchy disclosure for investment properties are disclosed in Note 38 to the financial statements.

## 7. FOREST PLANTATION PROJECT

| | Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| **Cost** | | |
| At 1 April/31 March | 35,429 | 35,429 |
| **Accumulated amortisation** | | |
| At 1 April | 5,719 | 5,544 |
| Amortisation for the financial year | 662 | 175 |
| At 31 March | 6,381 | 5,719 |
| **Net carrying amount as at 31 March** | 29,048 | 29,710 |

# NOTES TO THE FINANCIAL STATEMENTS

## 8. PLANTATION DEVELOPMENT EXPENDITURE

| | Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| **Cost or valuation** | | |
| At 1 April | 617,137 | 637,441 |
| Additions | 15,851 | 20,904 |
| Written off | (15,978) | - |
| Revaluation deficit | (11,256) | (26,024) |
| Elimination of accumulated amortisation on revaluation | (18,431) | (15,184) |
| At 31 March | 587,323 | 617,137 |
| **Accumulated amortisation and impairment loss** | | |
| At 1 April | 894 | 96 |
| Amortisation for the financial year | 18,601 | 15,296 |
| Elimination of accumulated amortisation on revaluation | (18,431) | (15,184) |
| Impairment loss recognised in profit or loss | - | 686 |
| Written off | (686) | - |
| At 31 March | 378 | 894 |
| **Net carrying amount as at 31 March** | 586,945 | 616,243 |

(a) The plantation development expenditure was revalued by VPC Alliance (JB) Sdn. Bhd., a registered valuer ("Valuer") using comparison and investment method in arriving at the market value.

(b) The fair value hierarchy disclosure for plantation development expenditure are disclosed in Note 38 to the financial statements.

(c) Had the plantation development expenditure been stated at historical cost, the net carrying amount would have been RM190,612,000 (2016: RM191,140,000).

(d) In the previous financial year, a revaluation deficit of RM26,024,000 was recognised, representing the decrease in fair value of plantation development expenditure (Note 19 to the financial statements). The decrease is mainly due to exclusion of river buffer zone after the land measurement exercise being completed during the financial year.

The recoverable amount of RM616,243,000 as at 31 March 2016 was based on its value-in-use and was determined at the level of its cash generating unit. In determining the value-in-use for the cash generating unit, the cash flows were discounted at a rate of 8 – 9.5% on a pre-tax basis.

(e) During the financial year, a revaluation deficit of RM11,256,000 was recognised, representing the decrease in fair value of plantation development expenditure (Note 19 to the financial statements). The decrease is mainly due to decrease in economic useful lives of oil palm plantation.

The recoverable amount of RM586,945,000 as at 31 March 2017 was based on its value-in-use and was determined at the level of its cash generating unit. In determining the value-in-use for the cash generating unit, the cash flows were discounted at a rate of 8 – 10% on a pre-tax basis.

(f) During the financial year, a write-off of RM15,292,000 for forest plantation development expenditure was recognised mainly due to damages caused by the intrusion of wild animals and diseases.

(g) In the previous financial year, an impairment loss of RM686,000 was recognised in profit or loss under cost of sales, representing the impairment of Acacia replanting expenditure compared to its recoverable amount as a result of replanting expenditure capitalised is higher than the recoverable amount as at 31 March 2016. The recoverable amount of RM12,622,000 as at 31 March 2016 was based on its value-in-use and was determined at the level of its cash generating unit. In determining the value-in-use for the cash generating unit, the cash flows were discounted at a rate of 8%.

# NOTES TO THE FINANCIAL STATEMENTS

## 8. PLANTATION DEVELOPMENT EXPENDITURE (CONT'D)

(h) Included in plantation development expenditure are the following expenses incurred and capitalised during the financial year:

| | Group 2017 RM'000 | Group 2016 RM'000 |
|---|---|---|
| Depreciation (Note 5) | 430 | 428 |
| Interest expense | 3,096 | 4,317 |
| Staff costs | 5,723 | 5,009 |
| | 9,249 | 9,754 |

On 4 December 2002, the Company and a subsidiary, Aramijaya Sdn. Bhd. ("Aramijaya") entered into a Privatisation Agreement with the Johor State Government and YPJ Holdings Sdn. Bhd. ("YPJH") for the maintenance, operation and management of 35,223 hectares of forest plantation land for a period of sixty (60) years. The area consist of 20,168 hectares of acacia cultivated area, 5,754 hectares of unplanted area, 3,661 hectares of mining land and 5,640 hectares of water logged area. A total consideration of RM62,270,000 is therefore, payable to the Johor State Government for the concession and alienation (Note 20 to the financial statements).

On 13 July 2006, the Johor State Government had alienated to YPJH one plot of agricultural land measuring 850 hectares which was then sub-leased to Aramijaya on 8 October 2007 for a period of ninety nine (99) years less one (1) day from 13 July 2006 till 11 July 2105. The remaining plot of 1,991 hectares of land was alienated to YPJH on 22 October 2007 and was then sub-leased to Aramijaya on 12 June 2008 for a period of ninety nine (99) years less one (1) day from 22 October 2007 till 20 October 2106. These two plots of leasehold land are charged to secure a term loan facility amounting to RM115,000,000, of which RM115,000,000 (2016: RM107,817,000) has been drawn-down.

## 9. PREPAID LEASE PAYMENTS

| | Unexpired period less than 50 years Group 2017 RM'000 | Unexpired period less than 50 years Group 2016 RM'000 |
|---|---|---|
| **Cost** | | |
| At 1 April | 11,504 | 11,504 |
| **Accumulated amortisation** | | |
| At 1 April | 7,505 | 6,912 |
| Amortisation during the financial year | 592 | 593 |
| At 31 March | 8,097 | 7,505 |
| **Net carrying amount as at 31 March** | 3,407 | 3,999 |

## 10. INTANGIBLE ASSETS – GOODWILL

| | Group 2017 RM'000 | Group 2016 RM'000 |
|---|---|---|
| **Cost** | | |
| At 1 April/31 March | 1,223 | 1,223 |
| **Accumulated impairment loss** | | |
| At 1 April/31 March | - | - |
| **Net carrying amount as at 31 March** | 1,223 | 1,223 |

# NOTES TO THE FINANCIAL STATEMENTS

## 10. INTANGIBLE ASSETS – GOODWILL (CONT'D)

**Impairment testing for goodwill**

The cash generating unit is derived from oil palm and acacia plantation.

Value-in-use was determined by discounting the future cash flows generated from the continuing operations of the subsidiary and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results for timber business over 42 years and projected operating results for oil palm business over 25 years. Management believes that these forecast periods were justified due to the long-term nature of acacia and oil palm business.
- The selling price and costs for acacia operation were assumed to be consistently applied. Costs for acacia operation is based on volume extracted and planted land areas.
- A pre-tax discount rate of 8% (2016: 8%) used for acacia operation and 8 – 9.50% (2016: 8 – 9.50%) for oil palm operation were applied in determining the recoverable amount of the operations.

The key assumptions represent management's assessment of future operations and are based on both external sources and internal sources (historical data) of information.

## 11. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 |
| **Unquoted shares - at cost** | | |
| At 1 April/31 March | 35,600 | 35,600 |

Details of the subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Effective equity interest 2017 % | Effective equity interest 2016 % | Principal activities |
|---|---|---|---|---|
| Aramijaya Sdn. Bhd. ("Aramijaya") | Malaysia | 70 | 70 | Management and operation of a forest plantation, logging, saw milling, chipping, other downstream manufacturing and related activities and oil palm plantation and undertaking of construction works. |
| Ikhlasi Bina Sdn. Bhd. | Malaysia | 100 | 100 | Civil engineering and construction works. |

## 12. PERFORMANCE DEPOSITS

Pursuant to the terms of the Privatisation Agreement dated 4 December 2002 (refer to Note 8 to the financial statements), Aramijaya is required to pay YPJH a sum of RM2.5 million as security towards Aramijaya's performance in undertaking a major role in the proposed privatisation of forest plantation project ("performance deposits"), and a sum of RM5 million a year for the first ten year period commencing from the financial year ended 31 March 2003, being YPJH's minimum net profit entitlement.

In the event that the net profit entitlement payable to YPJH arising from its 30% equity participation is less than RM5 million in any of the first ten year period, YPJH shall be entitled to request from Aramijaya additional sum towards the performance deposit equivalent to the amount of the shortfall from the RM5 million payable. Accordingly, YPJH's minimum net profit entitlement for the first ten year period totalling RM50 million and the deposit of RM2.5 million have been recognised as performance deposits.

The minimum net profit entitlement of YPJH totalling RM50 million and the deposit of RM2.5 million shall be recoverable by way of set-off against YPJH's future profit entitlement in respect of its 30% equity participation in Aramijaya over and above RM5 million in any financial year within the first ten years from the financial year ended 31 March 2003 and any profit entitlement of YPJH thereafter.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. PERFORMANCE DEPOSITS (CONT'D)

In the event that there is any outstanding balance of the performance deposit (including any additional sums added due to the shortfall from the RM5 million minimum net profit entitlement a year for the first ten year period) not set off due to insufficient profit entitlement at the end of the 60 years management period, YPJH shall not be required to refund the performance deposit (including any additional sums added) and the same shall be fully extinguished.

The YPJH's minimum net profit entitlement of RM50 million have been fully paid during the financial year ended 31 March 2015 mainly through cash payments and the issuance of redeemable convertible preference shares in Aramijaya.

## 13. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is presented as follows:

| | Company | |
|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 |
| Non-current | 58,168 | 54,754 |
| Current | 16,326 | 14,878 |
| | 74,494 | 69,632 |

In the financial year ended 31 March 2010, the Company disbursed RM50 million to Aramijaya Sdn. Bhd. ("Aramijaya"). The said advances bear interest at rate of 4.5% per annum for the first three years and 7% per annum thereafter with fixed term of repayment and is expected to be settled in cash.

## 14. INVENTORIES

| | Group | |
|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 |
| **At cost** | | |
| Woodchips | 8 | - |
| Pallets | 11 | 23 |
| Sawn timbers | 142 | 120 |
| Consumables | 590 | 661 |
| | 751 | 804 |
| **At net realisable value** | | |
| Woodchips | - | 555 |
| Particle board | 79 | 82 |
| | 79 | 637 |
| | 830 | 1,441 |

The amount of inventories recognised as an expense in the cost of sales of the Group in the financial year 31 March 2017 was RM1,831,000 (2016: RM5,096,000).

During the financial year, the woodchips of the Group was written down to the net realisable value by Nil (2016: RM74,000).

# NOTES TO THE FINANCIAL STATEMENTS

## 15. TRADE AND OTHER RECEIVABLES

| | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Trade receivables | 3,551 | 4,389 | 1,303 | 1,303 |
| Amount due from related parties | 1,157 | 1,309 | - | - |
| | 4,708 | 5,698 | 1,303 | 1,303 |
| Less: Allowance for impairment | (135) | (581) | - | - |
| **Trade receivables, net** | 4,573 | 5,117 | 1,303 | 1,303 |
| **Other receivables** | | | | |
| Sundry receivables | 433 | 686 | 31 | 15 |
| Deposits | 496 | 426 | 199 | 205 |
| Prepayments | 115 | 67 | 2 | - |
| | 1,044 | 1,179 | 232 | 220 |
| Less: Allowance for impairment | - | (72) | - | - |
| **Other receivables, net** | 1,044 | 1,107 | 232 | 220 |
| **Total trade and other receivables** | 5,617 | 6,224 | 1,535 | 1,523 |

(a) Trade receivables

The Group's and the Company's normal credit terms range from 30 to 120 days. Other credit terms are assessed and approved on a case by case basis.

Included in trade receivables of the Group are advances made to sub-contractors amounting to RM195,000 (2016: RM98,000), which are unsecured and interest-free.

(b) Ageing analysis of trade receivables

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

| | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|
| **Neither past due nor impaired** | 2,411 | 2,918 | - | - |
| **Past due but not impaired** | | | | |
| 1 to 30 days past due but not impaired | 264 | 108 | - | - |
| 31 to 60 days past due but not impaired | 109 | 447 | - | - |
| 61 to 90 days past due but not impaired | 122 | 70 | - | - |
| 91 to 120 days past due but not impaired | 16 | 9 | - | - |
| More than 121 days past due but not impaired | 1,651 | 1,565 | 1,303 | 1,303 |
| | 2,162 | 2,199 | 1,303 | 1,303 |
| **Impaired** | 135 | 581 | - | - |
| | 4,708 | 5,698 | 1,303 | 1,303 |

# NOTES TO THE FINANCIAL STATEMENTS

## 15. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Ageing analysis of trade receivables (Cont'd)

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group and the Company. None of the Group's and the Company's trade receivables that are neither past due nor impaired have been negotiated during the financial year.

Trade receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM2,162,000 (2016: RM2,199,000) and RM1,303,000 (2016: RM1,303,000) respectively that are past due at the reporting date but not impaired. Based on the historical default rates, the Group and the Company believe that no impairment loss is necessary in respect of trade receivables that are past due from 1 day and up to more than 121 days. These receivables are mainly arising from trade receivables that have a good credit records with the Group and the Company. Based on the opinion of the directors, the balances due are within the normal operating cycles of the construction industry.

Trade receivables that are impaired

The movement in allowance for impairment is as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| At 1 April | 581 | 446 |
| Addition during the financial year | - | 135 |
| Written off | (446) | - |
| At 31 March | 135 | 581 |

Trade receivables that are impaired were determined based on individual trade receivable which has been long outstanding.

(c) Other receivables that are impaired

The movement in allowance for impairment is as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| At 1 April | 72 | 75 |
| Write-back during the financial year | (12) | (3) |
| Written off | (60) | - |
| At 31 March | - | 72 |

(d) Amount due from related parties

The amount due from related parties is unsecured, interest-free and subject to negotiated terms and is expected to be settled in cash. The related parties are entities which are disclosed in Note 33 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 16. FIXED DEPOSITS PLACED WITH LICENSED BANKS

Included in fixed deposits placed with licensed banks are the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Fixed deposits pledged to licensed banks for credit facilities granted to the Group/Company | 1,619 | 1,758 | - | 139 |

The fixed deposits of the Group and of the Company earn interest at rates ranging from 2.95% to 3.60% (2016: 3.15% to 3.65%) per annum.

## 17. ASSETS CLASSIFIED AS HELD FOR SALE

| | Group and Company | |
|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 |
| At 1 April | - | 2,126 |
| Disposal | - | (2,126) |
| At 31 March | - | - |

On 27 October 2014, the Company entered into an agreement to dispose six parcels of leasehold lands and buildings held under HS(M) 28398 (PT 30419), HS(M) 28402 (PT 30423), PM 6146 (Lot 39559), PM 5736 (Lot 39604), PM 5996 (Lot 39488) and PM5995 (Lot 39487) Mukim Kuala Kuantan, District of Kuantan, State of Pahang for a cash consideration of RM2,420,511.

The sale of leasehold lands and buildings were completed in the previous financial year.

## 18. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2017<br>Number<br>of Shares<br>Unit'000 | 2016<br>Number<br>of Shares<br>Unit'000 | 2017<br>Amount<br>RM'000 | 2016<br>Amount<br>RM'000 |
| **Ordinary shares** | | | | |
| Authorised: | | | | |
| At 1 April/31 March | - | 1,000,000 | - | 200,000 |
| Issued and fully paid: | | | | |
| At 1 April | 326,700 | 326,700 | 65,340 | 65,340 |
| Transition to no-par value regime ^ | - | - | 4,621 | - |
| At 31 March | 326,700 | 326,700 | 69,961 | 65,340 |

^ With the new Companies Act 2016 (the "Act") which came into effect on 31 January 2017, the credit standing in the share premium account of RM4,621,000 has been transferred to the share capital account. Pursuant to the new Act, the Company may exercise its right to use the amount standing to the credit of its share premium account within twenty-four months upon the commencement of the new Act.

There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

## NOTES TO THE FINANCIAL STATEMENTS

### 19. RESERVES

The movement in reserves of the Group and of the Company at the reporting date is as follows:

| Group | Share premium RM'000 | Asset revaluation reserve RM'000 | Retained profits RM'000 | Reserve of disposal assets classified as held for sale RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 April 2015 | 4,621 | 305,095 | 56,476 | 781 | 366,973 |
| Reserve attributable to disposal assets classified as held for sale (Note 17) | - | - | 781 | (781) | - |
| **Net loss for the financial year** | - | - | (12,578) | - | (12,578) |
| **Other comprehensive income:** | | | | | |
| Revaluation of property, plant and equipment | - | 7,403 | - | - | 7,403 |
| Deferred taxation liabilities on revaluation surplus of property, plant and equipment | - | (1,777) | - | - | (1,777) |
| Reversal of revaluation reserve of plantation development expenditure | - | (18,217) | - | - | (18,217) |
| Deferred taxation liabilities on reversal of revaluation reserve of plantation development expenditure | - | 4,372 | - | - | 4,372 |
| **Total other comprehensive expense for the financial year** | - | (8,219) | - | - | (8,219) |
| At 31 March 2016 | 4,621 | 296,876 | 44,679 | - | 346,176 |
| Transition to no-par value regime | (4,621) | - | - | - | (4,621) |
| **Net loss for the financial year** | - | - | (8,285) | - | (8,285) |
| **Other comprehensive expense:** | | | | | |
| Revaluation of property, plant and equipment | - | 6,550 | - | - | 6,550 |
| Deferred taxation liabilities on revaluation surplus of property, plant and equipment | - | (1,571) | - | - | (1,571) |
| Reversal of revaluation reserve of plantation development expenditure | - | (7,879) | - | - | (7,879) |
| Deferred taxation liabilities on reversal of revaluation reserve of plantation development expenditure | - | 1,891 | - | - | 1,891 |
| **Total other comprehensive expense for the financial year** | - | (1,009) | - | - | (1,009) |
| At 31 March 2017 | - | 295,867 | 36,394 | - | 332,261 |

# NOTES TO THE FINANCIAL STATEMENTS

## 19. RESERVES (CONT'D)

The movement in reserves of the Group and of the Company at the reporting date is as follows: (Cont'd)

| Company | Share premium RM'000 | Asset revaluation reserve RM'000 | Retained profits RM'000 | Reserve of disposal assets classifiedas held for sale RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 April 2015 | 4,621 | - | 42,819 | 781 | 48,221 |
| Realisation of reserve attributable to disposal assets classified a held for sale (Note 17) | - | - | 781 | (781) | - |
| **Net profit for the financial year/total comprehensive income for the financial year** | - | - | 5,442 | - | 5,442 |
| At 31 March 2016 | 4,621 | - | 49,042 | - | 53,663 |
| Transition to no-par value regime | (4,621) | - | - | - | (4,621) |
| **Net profit for the financial year/total comprehensive income for the financial year** | - | - | 1,061 | - | 1,061 |
| At 31 March 2017 | - | - | 50,103 | - | 50,103 |

Share premium

Share premium of the Group and of the Company arose from allotments of ordinary shares at premium net of share issue expenses.

Asset revaluation reserve

During the financial year, the Group's leasehold lands and plantations development expenditure have been revalued by an independent valuer, VPC Alliance (JB) Sdn. Bhd., using comparison and investment methods in arriving at the market value.

A net revaluation deficit of RM1,897,000 was recognised during the financial year ended 31 March 2017, a revaluation surplus of RM9,359,000 was recognised, representing an increase in fair value of leasehold land in property, plant and equipment (Note 5 to the financial statements) and a revaluation deficit of RM11,256,000 was recognised, representing the decrease in fair value of plantation development expenditure (Note 8 to the financial statements).

The market value and fair value changes recognised as at 31 March 2017 and 31 March 2016 are shown below:

| | Market value as at 31.03.2017 RM'000 | Revaluation reserve as at 31.03.2017, net of tax RM'000 |
|---|---|---|
| Revaluation of leasehold lands | 113,054 | 60,666 |
| Revaluation of plantation development expenditure | 596,908 | 235,201 |
| | 709,962 | 295,867 |

# NOTES TO THE FINANCIAL STATEMENTS

## 19. RESERVES (CONT'D)

Asset revaluation reserve (Cont'd)

The market value and fair value changes recognised as at 31 March 2017 and 31 March 2016 are shown below: (Cont'd)

| | Market value as at 31.03.2016 RM'000 | Revaluation reserve as at 31.03.2016, net of tax RM'000 |
|---|---|---|
| Revaluation of leasehold lands | 104,859 | 55,687 |
| Revaluation of plantation development expenditure | 624,710 | 241,189 |
| | 729,569 | 296,876 |

## 20. AMOUNT DUE TO JOHOR STATE GOVERNMENT

| | Group 2017 RM'000 | Group 2016 RM'000 |
|---|---|---|
| **Future minimum payment to Johor State Government** | | |
| - not later than one year | 5,758 | 5,757 |
| - later than one year but not later than five years | - | 5,758 |
| | 5,758 | 11,515 |
| Less: Deferred interests | (965) | (2,251) |
| | 4,793 | 9,264 |
| Represented by: | | |
| **Current** | | |
| - not later than one year | 4,793 | 4,472 |
| **Non-current** | | |
| - later than one year but not later than five years | - | 4,792 |
| | 4,793 | 9,264 |

Deferred interests represent the difference between the privatisation consideration of RM62,270,000 (2016: RM62,270,000) and the present value of forest plantation project of RM35,429,000 (2016: RM35,429,000) and plantation development expenditure of RM7,450,000 (2016: RM7,450,000) (Note 8 to the financial statements).

The deferred interests are recognised as interest expense in the profit or loss over the repayment period of the privatisation consideration.

The movement in deferred interests is as follows:

| | Group 2017 RM'000 | Group 2016 RM'000 |
|---|---|---|
| **Deferred interests** | | |
| At 1 April | 2,251 | 3,535 |
| Amortisation during the financial year | (1,286) | (1,284) |
| At 31 March | 965 | 2,251 |

# NOTES TO THE FINANCIAL STATEMENTS

## 20. AMOUNT DUE TO JOHOR STATE GOVERNMENT (CONT'D)

The amount due to Johor State Government represents the privatisation consideration payable in accordance with the payment schedule stated in the Privatisation Agreement over eighteen (18) years from 1 October 2001 (Note 8 to the financial statements). At the date of signing of the Privatisation Agreement, the total privatisation consideration amounted to RM62,270,000 and comprises of the following:

| | RM'000 |
|---|---|
| Federal loans | 47,718 |
| State's expenditure | 11,059 |
| Cash advance | 3,493 |
| | 62,270 |

The movement in amount due to Johor State Government is as follows:

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Total privatisation consideration payable | 62,270 | 62,270 |
| Less: Cumulative instalments paid | (56,512) | (50,755) |
| | 5,758 | 11,515 |

The remaining instalment payments will be repayable in eleven (11) unequal instalments starting from 1 January 2009 until 1 January 2018. The first three instalments from the revised schedule amounting to RM2,193,000 each, the fourth till tenth instalments amounting to RM5,757,000 each have been paid.

## 21. BORROWINGS

| | Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| **Non-current** | | |
| Finance lease liabilities | 989 | 1,217 |
| Term loan | 87,765 | 90,972 |
| | 88,754 | 92,189 |
| **Current** | | |
| Finance lease liabilities | 547 | 601 |
| Term loan | 10,253 | 9,626 |
| | 10,800 | 10,227 |
| Total borrowings | 99,554 | 102,416 |

# NOTES TO THE FINANCIAL STATEMENTS

## 21. BORROWINGS (CONT'D)

### (a) Finance lease liabilities

| | Group 2017 RM'000 | Group 2016 RM'000 |
|---|---|---|
| Minimum finance lease payment: | | |
| - not later than one year | 623 | 698 |
| - later than one year but not later than five years | 1,066 | 1,325 |
| | 1,689 | 2,023 |
| Less: Future finance charges | (153) | (205) |
| | 1,536 | 1,818 |
| Represented by: | | |
| **Current** | | |
| - not later than one year | 547 | 601 |
| **Non-current** | | |
| - later than one year but not later than five years | 989 | 1,217 |
| | 1,536 | 1,818 |

Finance lease liabilities of the Group are subject to a fixed interest rates ranging from 2.43% to 3.84% (2016: 2.43% to 3.82%) per annum.

### (b) Term loan

The term of the term loan repayment is as follows:

| | Group 2017 RM'000 | Group 2016 RM'000 |
|---|---|---|
| **Non-current** | | |
| - later than one year but not later than five years | 46,207 | 53,010 |
| - later than five years | 41,558 | 37,962 |
| | 87,765 | 90,972 |
| **Current** | | |
| - not later than one year | 10,253 | 9,626 |
| | 10,253 | 9,626 |
| | 98,018 | 100,598 |

The term loan is subject to a fixed interest rates ranging from 3.00% to 7.15% (2016: 3.00% to 7.15%) per annum.

Term loan is secured by way of legal charge over two plots of agricultural land measuring approximately 850 hectares and 1,991 hectares respectively as stated in Note 5 and Note 8 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 22. DEFERRED TAX LIABILITIES

| | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|
| At 1 April | (143,066) | (147,975) | (19) | (22) |
| Recognised in profit or loss | 204 | 1,202 | 19 | 3 |
| Recognised in equity | 456 | 3,707 | - | - |
| At 31 March | (142,406) | (143,066) | - | (19) |
| Presented after appropriate offsetting: | | | | |
| - Deferred tax assets | 23,503 | 26,502 | - | - |
| - Deferred tax liabilities | (165,909) | (169,568) | - | (19) |
| | (142,406) | (143,066) | - | (19) |

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

| Group | At 1 April 2015 RM'000 | Recognised in profit or loss RM'000 | Recognised in equity RM'000 | At 31 March 2016 RM'000 | Recognised in profit or loss RM'000 | Recognised in equity RM'000 | At 31 March 2017 RM'000 |
|---|---|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | | | |
| Property, plant and equipment | (22) | 3 | - | (19) | 19 | - | - |
| Plantation development expenditure | (30,805) | (4,037) | - | (34,842) | 575 | - | (34,267) |
| Forest plantation project | (4,154) | (2,413) | - | (6,567) | (914) | - | (7,481) |
| Revaluation reserve | (134,870) | 3,023 | 3,707 | (128,140) | 3,523 | 456 | (124,161) |
| | (169,851) | (3,424) | 3,707 | (169,568) | 3,203 | 456 | (165,909) |
| **Deferred tax assets** | | | | | | | |
| Tax losses carry-forwards | 17,431 | 4,786 | - | 22,217 | (3,919) | - | 18,298 |
| Unabsorbed capital allowances | 3,521 | 396 | - | 3,917 | 667 | - | 4,584 |
| Other deductible temporary differences | 924 | (556) | - | 368 | 253 | - | 621 |
| | 21,876 | 4,626 | - | 26,502 | (2,999) | - | 23,503 |
| | (147,975) | 1,202 | 3,707 | (143,066) | 204 | 456 | (142,406) |
| **Company** | | | | | | | |
| **Deferred tax liabilities** | | | | | | | |
| Property, plant and equipment | (22) | 3 | - | (19) | 19 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

## 23. AMOUNT DUE TO CUSTOMERS FOR CONTRACT WORKS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Aggregate construction costs incurred to date | 304,703 | 305,022 | 128,285 | 128,788 |
| Add: Attributable profits | 160,417 | 145,222 | 60,300 | 59,797 |
| | 465,120 | 450,244 | 188,585 | 188,585 |
| Less: Progress billings | (465,645) | (465,645) | (188,585) | (188,585) |
| Net amount due to contract customers | (525) | (15,401) | - | - |
| *Presented as follows:* | | | | |
| Amount due to customers for contract works | (525) | (15,401) | - | - |
| Construction costs recognised as contract expenses during the financial year | 262 | 550 | 96 | 173 |
| Construction revenue recognised as contract revenue during the financial year | 14,876 | 3,600 | 599 | 2,296 |

During the financial year, the final statement of account was received from the contract customer for additional contract work performed in the previous financial years. Accordingly, the budgeted contract revenue was updated hence resulting in the recognition of contract revenue of RM14,876,000 in the current financial year.

## 24. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Trade payables** | | | | |
| Trade payables | 15,508 | 12,620 | 1,355 | 1,270 |
| Retention sums payable | 5,367 | 5,339 | 313 | 313 |
| Amount due to related parties | 1,397 | 649 | - | - |
| | 22,272 | 18,608 | 1,668 | 1,583 |
| **Other payables** | | | | |
| Other payables | 721 | 780 | - | - |
| Deposits | 2,694 | 2,638 | - | 1 |
| Accruals | 4,812 | 3,090 | 352 | 339 |
| | 8,227 | 6,508 | 352 | 340 |
| **Total trade and other payables** | 30,499 | 25,116 | 2,020 | 1,923 |

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days (2016: 30 to 60 days) terms.

(b) Amount due to related parties

The amount due to related parties is unsecured, interest-free, is subject to negotiated terms and is expected to be settled in cash.

# NOTES TO THE FINANCIAL STATEMENTS

## 24. TRADE AND OTHER PAYABLES (CONT'D)

(c) Deposits

Included in deposits of the Group was an amount of RM2,093,000 (2016: RM2,093,000) which represents deposits in relation to logging contracts during the financial year.

(d) Accruals

Included in accruals are:

(i) an amount of RM1,543,000 (2016: RM2,971,000) which represents accrual made for sub-contractors at the reporting date.

(ii) an amount of RM493,000 (2016: Nil) which represents accrual made for term loan interest at the reporting date.

## 25. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary is unsecured, interest-free, repayable on demand and is expected to be settled in cash.

## 26. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Construction income | 14,876 | 3,600 | 599 | 2,296 |
| Sales of timber products | 5,386 | 7,931 | - | - |
| Sales of fresh fruit brunches | 51,124 | 22,883 | - | - |
| | 71,386 | 34,414 | 599 | 2,296 |

## 27. COST OF SALES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Contract costs recognised as expense | | | | |
| - current year | 262 | 603 | 96 | 173 |
| - over accrual in prior year | (581) | (1,711) | - | - |
| Cost of goods sold | 72,083 | 49,112 | - | - |
| | 71,764 | 48,004 | 96 | 173 |

## 28. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Amortisation of deferred interests | 1,286 | 1,284 | - | - |
| Hire purchase interests | 59 | 50 | - | - |
| Term loan interests | 3,369 | 2,475 | - | - |
| Interest expense from effect of discounting on retention sums | - | 27 | - | 27 |
| | 4,714 | 3,836 | - | 27 |

# NOTES TO THE FINANCIAL STATEMENTS

## 29. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax have been arrived at:

| | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|
| After charging: | | | | |
| Amortisation of deferred interests | 1,286 | 1,284 | - | - |
| Amortisation of forest plantation project | 662 | 175 | - | - |
| Amortisation of plantation development expenditure | 18,601 | 15,296 | - | - |
| Amortisation of prepaid lease payments | 592 | 593 | - | - |
| Auditor remuneration: | | | | |
| - Audit services | | | | |
| - current year | 88 | 77 | 44 | 44 |
| - prior year | 11 | (1) | - | - |
| Non statutory audit fee: | | | | |
| - current year | 43 | 37 | 43 | 37 |
| - prior year | (2) | - | (2) | - |
| Bad debts written off | 33 | 3 | - | 3 |
| Depreciation of property, plant and equipment | 3,392 | 3,195 | 207 | 214 |
| Depreciation of investment property | 13 | 12 | 13 | 12 |
| Finance costs (exclude amortisation of deferred interest) (Note 28) | 3,428 | 2,552 | - | 27 |
| Impairment loss on plantation development expenditure | - | 686 | - | - |
| Impairment loss on trade receivable | - | 135 | - | - |
| Property, plant and equipment written off | - | 5 | - | 5 |
| Personnel expenses (including key management personnel) | | | | |
| - Contributions to EPF | 625 | 687 | 244 | 250 |
| - Wages, salaries and others | 9,960 | 9,627 | 2,595 | 2,538 |
| Rental of plant and machinery | 222 | 165 | - | - |
| Rental of premises | 431 | 401 | 352 | 351 |
| Rental of motor vehicles | 4 | 5 | - | - |
| Write-down of inventories to net realisable value | - | 74 | - | - |
| Plantation development expenditure written off | 15,292 | - | - | - |
| After crediting: | | | | |
| Gain on disposal of property, plant and equipment | 73 | 4,075 | - | 4,075 |
| Gain on disposal of assets classified as held for sale | - | 294 | - | 294 |
| Realised gain on foreign exchange | - | 2 | - | - |
| Rental income from hire of | | | | |
| - Motor vehicles | 9 | 12 | - | - |
| - Plant and machinery | - | 103 | - | - |
| - Others | 251 | 84 | - | 2 |
| Rental income from investment properties | 5 | 7 | 5 | 7 |
| Interest income arising from: | | | | |
| - Amount due from a subsidiary | - | - | 4,865 | 4,248 |
| - Deposits with licensed banks | 384 | 630 | 384 | 625 |
| Write-back of impairment loss on trade and other receivables | 12 | 3 | - | - |
| Finance income | 28 | - | 27 | - |

# NOTES TO THE FINANCIAL STATEMENTS

## 30. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group.

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Directors: | | | | |
| - Fees | | | | |
| - current year | 95 | 96 | 95 | 96 |
| - prior year | - | 8 | - | 8 |
| - Remuneration | 1,337 | 1,349 | 848 | 848 |
| - Other short term employee benefits (including estimated monetary value of benefits- in-kind) | 7 | 7 | - | - |
| Total short term employee benefits | 1,439 | 1,460 | 943 | 952 |

## 31. INCOME TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Income tax | | | | |
| - current year | - | (239) | - | (239) |
| Deferred taxation | | | | |
| - current year | (99) | 3,831 | - | 249 |
| - prior year | 303 | (2,383) | 19 | - |
| | 204 | 1,448 | 19 | 249 |
| | 204 | 1,209 | 19 | 10 |

Income tax is calculated at the Malaysian statutory rate of 24% of the estimated assessable profit for the fiscal year.

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| (Loss)/profit before tax | (11,691) | (20,614) | 1,042 | 5,432 |
| Tax at applicable tax rate of 24% | 2,806 | 4,947 | (250) | (1,358) |
| Tax effects arising from: | | | | |
| - Non-deductible expenses | (3,323) | (3,086) | (181) | (452) |
| - Non-taxable income | 6 | 2,313 | 6 | 2,400 |
| - Deferred tax assets not recognised | 412 | (343) | 425 | (327) |
| - Deferred tax recognised at differential tax rates | - | - | - | (14) |
| - Real property gain tax | - | (239) | - | (239) |
| - Over/(Under) accrual in prior year | 303 | (2,383) | 19 | - |
| Tax expense for the financial year | 204 | 1,209 | 19 | 10 |

# NOTES TO THE FINANCIAL STATEMENTS

## 32. LOSSES PER SHARE

### Basic

Basic losses per ordinary share is calculated by dividing the net loss for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year calculated as follows:

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| Net loss for the financial year (RM'000) | (8,285) | (12,578) |
| Weighted average number of ordinary shares ('000) | 326,700 | 326,700 |
| Basic earnings per share for the financial year (sen) | (2.54) | (3.85) |

### Diluted

The diluted earnings per ordinary share are the same, as the Group has no dilutive potential ordinary shares.

## 33. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or to exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party relationships with the following companies, which are deemed, related to the directors and major shareholders are as follows:

(i) Ekovest Berhad, Ekovest Construction Sdn. Bhd., Limbongan Setia Corporation Sdn. Bhd., Uni-Magna Sdn. Bhd., Knusford Equipment Sdn. Bhd., Knusford Marketing Sdn. Bhd., Segi Gemilang Sdn. Bhd., Radiant Seas Sdn. Bhd., Knusford Construction Sdn. Bhd., D-Hill Sdn. Bhd. and WCM Machinery Sdn. Bhd., are deemed related to Tan Sri Dato' Lim Kang Hoo, Tan Sri Dato' Lim Kang Yew and Dato' Lim Kang Poh;

(ii) Pembinaan KS Tebrau Sdn. Bhd. is deemed related to Tan Sri Dato' Lim Kang Hoo, Tan Sri Dato' Lim Kang Yew, Dato' Lim Kang Poh and Datuk Lim Keng Guan;

(iii) Rampai Fokus Sdn. Bhd. is deemed related to Tan Sri Dato' Lim Kang Hoo, Tan Sri Dato' Lim Kang Yew, Dato' Lim Kang Poh, Datuk Lim Keng Guan and Abd Razak Bin Mohd Yusoff;

(iv) Iskandar Waterfront Sdn. Bhd. is deemed related to Tan Sri Dato' Lim Kang Hoo, Tan Sri Dato' Lim Kang Yew, Dato' Lim Kang Poh, Norliza Binti Suleiman and Abd Razak Bin Mohd Yusoff;

(v) KPRJ Builders Sdn. Bhd. (formerly known as Julung Cipta Sdn. Bhd.) is deemed related to Abd Razak Bin Mohd Yusoff and Norliza Binti Suleiman; and

(vi) Danga Bay Sdn. Bhd. is deemed related to Tan Sri Dato' Lim Kang Hoo, Tan Sri Dato' Lim Kang Yew, Dato' Lim Kang Poh and Norliza Binti Suleiman.

# NOTES TO THE FINANCIAL STATEMENTS

## 33. RELATED PARTY TRANSACTIONS (CONT'D)

Related party transactions

The related party transactions between the Group and the related parties which took place at the terms agreed between the related parties during the financial year are as follows:

| Type of transactions | Related party | 2017 RM'000 | 2016 RM'000 |
|---|---|---|---|
| **Group** | | | |
| Sales | Knusford Equipment Sdn. Bhd. | (8) | - |
| | Rampai Fokus Sdn. Bhd. | (12) | (16) |
| Sales of plant and machinery | Rampai Fokus Sdn. Bhd. | (1) | - |
| Sales of motor vehicles | Ekovest Construction Sdn. Bhd. | (9) | - |
| Secondment fee payable | Knusford Equipment Sdn. Bhd. | 2 | - |
| | Radiant Seas Sdn. Bhd. | - | 5 |
| Sub-contractor fee receivable | Danga Bay Sdn. Bhd. | - | (11) |
| | D-Hill Sdn. Bhd. | (72) | (68) |
| | Ekovest Construction Sdn. Bhd. | (835) | (722) |
| | Rampai Fokus Sdn. Bhd. | (15) | (2) |
| | Knusford Construction Sdn. Bhd. | - | (7) |
| | Knusford Equipment Sdn. Bhd. | (74) | (91) |
| Purchases | Knusford Marketing Sdn. Bhd. | 1,466 | 1,591 |
| | Danga Bay Sdn. Bhd. | 1 | 6 |
| | Knusford Equipment Sdn. Bhd. | 14 | 1 |
| Construction income | KPRJ Builders Sdn. Bhd. | - | (133) |
| | Pembinaan KS Tebrau Sdn. Bhd. | (14,876) | (2,881) |
| Sand discharge income | Radiant Seas Sdn. Bhd. | (426) | (397) |
| Other income - Admin Charges | Knusford Equipment Sdn. Bhd. | (3) | - |
| Rental of plant and machinery payable | Knusford Equipment Sdn. Bhd. | 81 | 84 |
| | Radiant Seas Sdn. Bhd. | - | 102 |
| | Ekovest Berhad | 88 | 139 |
| | WCM Machinery Sdn. Bhd. | 24 | 22 |
| Rental of plant and machinery receivables | Knusford Equipment Sdn. Bhd. | - | (201) |
| Purchase of plant and machinery | Knusford Equipment Sdn. Bhd. | 450 | - |
| | Knusford Marketing Sdn. Bhd. | 79 | - |
| Rental of motor vehicle payable | Danga Bay Sdn. Bhd. | - | 2 |
| Rental of motor vehicle receivable | Knusford Equipment Sdn. Bhd. | - | (2) |
| Rental of premises payable | Iskandar Waterfront Sdn. Bhd. | - | 4 |
| | Limbongan Setia Corporation Sdn. Bhd. | 108 | 108 |
| Rental of premises receivable | Knusford Construction Sdn. Bhd. | (11) | - |
| Rental of premise payable, car parking, & maintenance charge | Uni-Magna Sdn. Bhd. | 305 | 307 |

# NOTES TO THE FINANCIAL STATEMENTS

## 33. RELATED PARTY TRANSACTIONS (CONT'D)

Related party transactions (Cont'd)

The related party transactions between the Group and the related parties which took place at the terms agreed between the related parties during the financial year are as follows: (Cont'd)

| Type of transactions | Related party | 2017 RM'000 | 2016 RM'000 |
|---|---|---|---|
| **Group (Cont'd)** | | | |
| Repair and service of plant and machinery payable | WCM Machinery Sdn. Bhd. | 17 | - |
| | Knusford Marketing Sdn. Bhd. | 2 | - |
| | Knusford Equipment Sdn. Bhd. | 15 | 1 |
| **Company** | | | |
| Interest income receivable | Aramijaya Sdn. Bhd. | (4,865) | (4,248) |
| Rental of premises payable | Limbongan Setia Corporation Sdn. Bhd. | 108 | 108 |
| Sub-contractor cost | Ikhlasi Bina Sdn. Bhd. | (599) | (1,711) |
| Rental of premise payable, car parking, & maintenance charge | Uni-Magna Sdn. Bhd. | 305 | 307 |

Balances with related parties are disclosed in Note 15 and Note 24 to the financial statements.

## 34. SEGMENTAL INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's chief operating decision maker for the purpose of making decisions about resource allocation and performance assessment.

(a) **General information**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonableness basis.

(b) **Measurement of reportable segments**

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Transactions between reportable segments are measured on the basis that is similar to those external customers.

Segment profit or loss is profit earned or loss incurred by each segment without allocation of central administrative costs, non-operating investment revenue, finance costs and income tax expense. There are no significant changes from prior financial year in the measurement methods used to determine reported segment statements of comprehensive income.

All the Group's assets are allocated to reportable segments other than assets used centrally for the Group, current and deferred tax assets. Jointly used assets are allocated on the basis of the revenues earned by individual segments.

All the Group's liabilities are allocated to reportable segments other than liabilities incurred centrally for the Group, current and deferred tax liabilities. Jointly incurred liabilities are allocated in proportion to the segment assets.

Inter-segment pricing is determined on a negotiated basis.

# NOTES TO THE FINANCIAL STATEMENTS

## 34. SEGMENTAL INFORMATION (CONT'D)

### (b) Measurement of reportable segments (Cont'd)

#### (i) *Business segments*

The Group comprises the following main business segments:

Construction — Civil engineering and construction work of earthwork and building.

Plantation — Management and operation of forest plantation, logging, saw milling, chipping and other downstream manufacturing and related activities, and operation of oil palm plantation.

| | Construction | | Plantation | | Elimination | | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | | 2017 | 2016 |
| REVENUE | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | Note | RM'000 | RM'000 |
| Segment revenue | 14,876 | 3,600 | 56,510 | 30,814 | - | - | | 71,386 | 34,414 |
| Segment result | 10,300 | 2,023 | (18,044) | (19,662) | 383 | 231 | | (7,361) | (17,408) |
| Results from operating activities | 10,300 | 2,023 | (18,044) | (19,662) | 383 | 231 | | (7,361) | (17,408) |
| Interest income | 5,249 | 4,874 | - | 4 | (4,865) | (4,248) | | 384 | 630 |
| Finance costs | - | (27) | (7,870) | (5,998) | 3,156 | 2,189 | | (4,714) | (3,836) |
| Loss before taxation | 15,549 | 6,870 | (25,914) | (25,656) | (1,326) | (1,828) | A | (11,691) | (20,614) |
| Income tax expense | (3,511) | (390) | 4,062 | 1,630 | (347) | (31) | | 204 | 1,209 |
| Loss for the financial year, net of tax | 12,038 | 6,480 | (21,852) | (24,026) | (1,673) | (1,859) | | (11,487) | (19,405) |
| Segment assets | 125,483 | 128,686 | 822,765 | 845,785 | (126,704) | (122,513) | B | 821,544 | 851,958 |
| Total assets | 125,483 | 128,686 | 822,765 | 845,785 | (126,704) | (122,513) | | 821,544 | 851,958 |
| Segment liabilities | 30,869 | 23,708 | 324,267 | 346,397 | (77,359) | (74,842) | C | 277,777 | 295,263 |
| Total liabilities | 30,869 | 23,708 | 324,267 | 346,397 | (77,359) | (74,842) | | 277,777 | 295,263 |
| Capital expenditure | 12 | 8 | 18,901 | 24,383 | (1,709) | (2,059) | | 17,204 | 22,332 |
| Depreciation of property, plant and equipment | 363 | 369 | 3,029 | 2,826 | - | - | | 3,392 | 3,195 |
| Depreciation of investment properties | 13 | 12 | - | - | - | - | | 13 | 12 |

# NOTES TO THE FINANCIAL STATEMENTS

## 34. SEGMENTAL INFORMATION (CONT'D)

### (b) Measurement of reportable segments (Cont'd)

#### (i) *Business segments (Cont'd)*

| | Construction | | Plantation | | Elimination | | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | Note | 2017 RM'000 | 2016 RM'000 |
| Amortisation of deferred interests | - | - | 1,286 | 1,284 | - | - | | 1,286 | 1,284 |
| Amortisation of forest plantation project | - | - | 662 | 175 | - | - | | 662 | 175 |
| Amortisation of prepaid lease payments | - | - | 592 | 593 | - | - | | 592 | 593 |
| Amortisation of plantation development expenditure | - | - | 18,984 | 15,296 | (383) | - | | 18,601 | 15,296 |
| Non-cash expenses other than depreciation and amortisation | - | (4,361) | 15,219 | 760 | - | - | D | 15,219 | (3,601) |

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

A The following items are deducted from segment profit to arrive at 'Profit before taxation' presented in the consolidated statement of comprehensive income:

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Inter-segment transactions | (1,326) | (1,828) |

B The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Goodwill | 1,223 | 1,223 |
| Investment in subsidiaries | (35,600) | (35,600) |
| Inter-segment assets | (92,327) | (88,136) |
| | (126,704) | (122,513) |

# NOTES TO THE FINANCIAL STATEMENTS

## 34. SEGMENTAL INFORMATION (CONT'D)

### (b) Measurement of reportable segments (Cont'd)

#### (i) *Business segments (Cont'd)*

C The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Deferred tax liabilities | (1,564) | (1,912) |
| Inter-segment transactions | (75,795) | (72,930) |
| | (77,359) | (74,842) |

D Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

| | Note | 2017 RM'000 | 2016 RM'000 |
|---|---|---|---|
| Bad debts written off | | 33 | 3 |
| Gain on disposal of property, plant and equipment | 5 | (73) | (4,075) |
| Gain on disposal of assets held for sale | 17 | - | (294) |
| Impairment loss on plantation development expenditure | 8 | - | 686 |
| Plantation development expenditure written off | 8 | 15,292 | - |
| Property, plant and equipment written off | 5 | - | 5 |
| Written-down of inventories to net realisable value | 14 | - | 74 |
| | | 15,252 | (3,601) |

#### (ii) *Geographical segments*

The activities of the Group are carried out in Malaysia and accordingly no segmental reporting by geographical location is presented.

## 35. CORPORATE AND FINANCIAL GUARANTEES

| | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|
| **Contingent liabilities** | | |
| Performance bond to third parties in respect of a project | - | 9,400 |
| Corporate guarantee to third party in respect of purchasing of machinery by a subsidiary | 664 | 208 |
| | 664 | 9,608 |
| **Financial guarantees** | | |
| Financial guarantee to Johor State Government in respect of payment by a subsidiary | 5,758 | 11,515 |
| Financial guarantee to third party in respect of a term loan facility held by a subsidiary | 96,832 | 98,517 |
| | 102,590 | 110,032 |
| **Total contingent liabilities and financial guarantees** | 103,254 | 119,640 |

## NOTES TO THE FINANCIAL STATEMENTS

### 36. MATERIAL LITIGATION

(a) On 18 December 2002, the Company had terminated a sub-contract which had been awarded by the Company to Josu Engineering Construction Sdn. Bhd. (“the Defendant”), for failure to complete certain sub-contracted works in accordance with the agreed schedule. The termination was accepted by the Defendant, and in accordance with the terms of the sub-contract, the Company engaged other contractors to complete the said sub-contracted works.

On 6 August 2007, the Company filed a suit against the Defendant, claiming a sum of RM10,303,000 for damages incurred by the Company in completing the sub-contracted works. The Defendant is counter-claiming a sum of RM11,612,000 being damages alleged suffered.

On 21 November 2012, the Company had filed an application to amend its writ and statement of claim to include a prayer for pre-judgement interests and was allowed by the High Court. A full trial was initially fixed from 26 November 2012 to 28 November 2012. However, on 22 November 2012, the Defendant filed an application for an Order from the Court to refer the above dispute to an arbitrator.

Both the Company and the Defendant have entered into a Consent Order on 5 December 2012 to refer the above matter to an arbitrator for determination. As such, the Court proceedings are stayed in favour of the arbitration.

As at the latest practicable date, the arbitration hearing was directed to file the submission and replies in April and May 2016 respectively. The plaintiff was directed to update the Court once the Tribunal has given a decision date. In the meantime, there are no further case management dates fixed.

As at the date of this report, the arbitral award is still pending from the arbitration hearing.

(b) On 6 November 2013, United Forest Contractor (“UFC”) had filed a suit against Aramijaya Sdn. Bhd. (“ASB”), a subsidiary of the Company and claiming a sum of RM1,015,190, a retention sum held of RM63,445, an interest on the claimed amounts and other incidental costs for alleged losses pursuant to the contract awarded by the ASB to UFC for site clearance, cultivation and maintenance of oil palm and other site ancillary works.

ASB is counter-claiming a sum of RM3,789,468 for special damages and general damages sustained by virtue of the unsatisfactory works, together with cost and interest at 4% per annum from the date of the filling of defence until the date of full realisation.

The High Court had pronounced its judgement on 12 January 2015 and held that the Defendant’s determination of the contract was valid as the Plaintiff would not be able to complete the works on time. The Plaintiff’s claim is therefore dismissed. As for the Defendant’s counterclaim, the Court also dismissed it as its reiterated that the losses were delayed, not a complete loss. Both parties to bear their own costs in this matter. Subsequently, the Plaintiff filed a notice of appeal to the Court on its judgement and ASB filed the Notice of Cross Appeal. The Court of Appeal had fixed the hearing date of the said matter on 1 October 2015. After hearing submissions from both Counsels on the hearing date, the Court of Appeal dismissed UFC’s Appeal with costs and upheld the UFC’s preliminary objection against the filing of the Cross Appeal. Hence, the Court dismissed the Cross Appeal.

The matter has then been brought to an amicable settlement as advised by the solicitors of ASB as follows:

i) The cost of the dismissal of the two appeals in Court of Appeal and Federal Court amounting to RM18,000 has been paid by UFC; and

ii) After receiving the said cost, the Appeal has be withdrawn and neither party shall have any claim against the other on the matter and specifically the development agreement.

# NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL INSTRUMENTS

### (a) Financial risk management and objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group's and the Company's risk management framework. The Group's and the Company's financial risk management policy seek to ensure that adequate financial resources are available for the development of the Group and the Company's businesses whilst managing its credit risk, interest rate risk and liquidity risk. The Group's and the Company's risk management approach seek to minimise the potential material adverse effects from these exposures. The Board reviews and agrees policies for managing each of these risks and they are summarised below. As the Group's and the Company's exposure to market risk are kept at a minimum level, the Group and the Company have not used any derivatives financial instruments for trading purposes.

#### (i) *Credit risk*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees of banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over certain amount.

The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. For other financial assets, the Group and the Company adopt the policy of dealing only with high credit quality counterparties.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group and the Company are satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Monies due from the customers are followed up, reviewed on a regular basis to understand the reasons of non-payment or delay in payment, if any, so that appropriate actions can be implemented promptly.

The maximum exposure to credit risk for each of the financial assets at the reporting date was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Trade and other receivables (excluding deposits and prepayments) | 5,006 | 5,731 | 1,334 | 1,318 |
| Amount due from a subsidiary | - | - | 74,494 | 69,632 |
| Fixed deposits placed with licensed banks | 9,938 | 14,909 | 8,318 | 13,289 |
| Cash and bank balances | 1,336 | 1,862 | 1,091 | 1,621 |
| | 16,280 | 22,502 | 85,237 | 85,860 |
| Financial guarantee | - | - | 102,590 | 110,032 |
| | 16,280 | 22,502 | 187,827 | 195,892 |

# NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial risk management and objectives (Cont'd)

(i) ***Credit risk (Cont'd)***

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 15(b) to the financial statements.

(ii) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arise primarily from fixed deposits placed with licensed banks, finance lease liabilities and term loan.

The Group's and the Company's policy is to manage interest cost using mix of fixed and floating rate debts, which depends on the interest rates market and economic conditions. For interest income from cash deposits, the Group and the Company manage the interest rate risk by placing cash deposits with reputable financial institutions on varying maturities and interest rate terms.

Profile

At the reporting date, the interest rate profile of interest-bearing financial instruments is as follows:

| Group | 2017 Average effective interest rate % | Carrying amount RM'000 | 2016 Average effective interest rate % | Carrying amount RM'000 |
|---|---|---|---|---|
| **Fixed rate instruments** | | | | |
| Fixed deposits placed with licensed banks | 3.23 | 9,938 | 3.40 | 14,909 |
| Finance lease liabilities | 5.48 | 1,536 | 5.48 | 1,818 |
| Term loan | 5.08 | 98,018 | 5.08 | 100,598 |
| **Company** | | | | |
| **Fixed rate instruments** | | | | |
| Fixed deposits placed with licensed banks | 3.23 | 8,318 | 3.42 | 13,289 |
| Amount due from a subsidiary | 7.00 | 74,494 | 7.00 | 69,632 |

Interest rate sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss of the Group and of the Company.

(iii) ***Liquidity risk***

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group and the Company adopt prudent liquidity risk management by maintaining sufficient cash, and available funding through an adequate amount of committed credit facilities. Due to dynamic nature of the underlying businesses, the Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available.

# NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Financial risk management and objectives (Cont'd)

#### (iii) *Liquidity risk (Cont'd)*

The analysis of financial instruments by remaining contractual maturities is as follows:

| 2017 | Carrying amount RM'000 | Contractual undiscounted cash flows RM'000 | On demand or within one year RM'000 | Two to five years RM'000 | More than five years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Amount due to Johor State Government | 4,793 | 5,758 | 5,758 | - | - | 5,758 |
| Finance lease liabilities | 1,536 | 1,689 | 623 | 1,066 | - | 1,689 |
| Term loan | 98,018 | 126,268 | 15,854 | 59,529 | 50,885 | 126,268 |
| Trade and other payables | 30,499 | 30,499 | 30,499 | - | - | 30,499 |
| | 134,846 | 164,214 | 52,734 | 60,595 | 50,885 | 164,214 |
| **Company** | | | | | | |
| Trade and other payables | 2,020 | 2,020 | 2,020 | - | - | 2,020 |
| Amount due to a subsidiary | 1,301 | 1,301 | 1,301 | - | - | 1,301 |
| Financial guarantees | - | 102,590 | 102,590 | - | - | 102,590 |
| | 3,321 | 105,911 | 105,911 | - | - | 105,911 |
| **2016** | | | | | | |
| **Group** | | | | | | |
| Amount due to Johor State Government | 9,264 | 11,515 | 5,757 | 5,758 | - | 11,515 |
| Finance lease liabilities | 1,818 | 2,023 | 698 | 1,325 | - | 2,023 |
| Term loan | 100,598 | 142,157 | 16,394 | 67,406 | 58,357 | 142,157 |
| Trade and other payables | 25,116 | 25,116 | 25,116 | - | - | 25,116 |
| | 136,796 | 180,811 | 47,965 | 74,489 | 58,357 | 180,811 |
| **Company** | | | | | | |
| Trade and other payables | 1,923 | 1,923 | 1,923 | - | - | 1,923 |
| Amount due to a subsidiary | 3,298 | 3,298 | 3,298 | - | - | 3,298 |
| Financial guarantees | - | 110,032 | 110,032 | - | - | 110,032 |
| | 5,221 | 115,253 | 115,253 | - | - | 115,253 |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

# NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial instruments classifications

#### (i) *Financial assets and liabilities classification*

The financial assets and liabilities of the Group and of the Company, together with the carrying amounts shown in the statements of financial position, are as follows:

| 2017 | Note | Loans and receivables RM'000 | Other financial liabilities RM'000 | Total carrying amount RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Financial assets** | | | | |
| Trade and other receivables (excluding deposits and prepayments) | 15 | 5,006 | - | 5,006 |
| Fixed deposits placed with licensed banks | 16 | 9,938 | - | 9,938 |
| Cash and bank balances | | 1,336 | - | 1,336 |
| | | 16,280 | - | 16,280 |
| **Financial liabilities** | | | | |
| Trade and other payables | 24 | - | 30,499 | 30,499 |
| Amount due to Johor State Government | 20 | - | 4,793 | 4,793 |
| Finance lease liabilities | 21(a) | - | 1,536 | 1,536 |
| Term loan | 21(b) | - | 98,018 | 98,018 |
| | | - | 134,846 | 134,846 |
| **2016** | | | | |
| **Financial assets** | | | | |
| Trade and other receivables (excluding deposits and prepayments) | 15 | 5,731 | - | 5,731 |
| Fixed deposits placed with licensed banks | 16 | 14,909 | - | 14,909 |
| Cash and bank balances | | 1,862 | - | 1,862 |
| | | 22,502 | - | 22,502 |
| **Financial liabilities** | | | | |
| Trade and other payables | 24 | - | 25,116 | 25,116 |
| Amount due to Johor State Government | 20 | - | 9,264 | 9,264 |
| Finance lease liabilities | 21(a) | - | 1,818 | 1,818 |
| Term loan | 21(b) | - | 100,598 | 100,598 |
| | | - | 136,796 | 136,796 |

# NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial instruments classifications (Cont'd)

#### (i) *Financial assets and liabilities classification (Cont'd)*

The financial assets and liabilities of the Group and of the Company, together with the carrying amounts shown in the statements of financial position, are as follows: (Cont'd)

| 2017 | Note | Loans and receivables RM'000 | Other financial liabilities RM'000 | Total carrying amount RM'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **Financial assets** | | | | |
| Trade and other receivables (excluding deposits and prepayments) | 15 | 1,334 | - | 1,334 |
| Amount due from a subsidiary | 13 | 74,494 | - | 74,494 |
| Fixed deposits placed with licensed banks | 16 | 8,318 | - | 8,318 |
| Cash and bank balances | | 1,091 | - | 1,091 |
| | | 85,237 | - | 85,237 |
| **Financial liabilities** | | | | |
| Trade and other payables | 24 | - | 2,020 | 2,020 |
| Amount due to a subsidiary | 25 | - | 1,301 | 1,301 |
| | | - | 3,321 | 3,321 |
| **2016** | | | | |
| **Financial assets** | | | | |
| Trade and other receivables (excluding deposits and prepayments) | 15 | 1,318 | - | 1,318 |
| Amount due from a subsidiary | 13 | 69,632 | - | 69,632 |
| Fixed deposits placed with licensed banks | 16 | 13,289 | - | 13,289 |
| Cash and bank balances | | 1,621 | - | 1,621 |
| | | 85,860 | - | 85,860 |
| **Financial liabilities** | | | | |
| Trade and other payables | 24 | - | 1,923 | 1,923 |
| Amount due to a subsidiary | 25 | - | 3,298 | 3,298 |
| | | - | 5,221 | 5,221 |

# NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL INSTRUMENTS (CONT'D)

(c) **Fair value of financial instruments**

The carrying amounts of financial assets and liabilities of the Group and of the Company as at reporting date approximate their fair value except for the following:

| | Group | |
|---|---|---|
| | Carrying amount RM'000 | Fair value RM'000 |
| **At 31 March 2017** | | |
| Finance lease liabilities | 1,536 | 1,689 |
| **At 31 March 2016** | | |
| Finance lease liabilities | 1,818 | 2,023 |

The methods and assumption used to determine the fair value of the following classes of financial assets and liabilities are as follows:

(i) ***Current receivables, cash and cash equivalents and current payables***

The carrying amount of these financial assets and liabilities are reasonable approximation of fair values due to short term of these financial instruments.

(ii) ***Financial lease liabilities***

The fair value of financial lease liabilities is estimated using discounted cash flows analysis, based on current lending rate for similar types of borrowings. The fair values of these financial instruments are within Level 2 of the fair value hierarchy.

(iii) ***Other non-current financial liabilities***

It is not practiced to determine the fair values of these financial liabilities because of the lack of market information of comparable instruments with similar characteristic and risk profile.

## 38. FAIR VALUE MEASUREMENT ON NON-CURRENT ASSETS

The Group and the Company measure fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1

Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2

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

Level 3

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

# NOTES TO THE FINANCIAL STATEMENTS

## 38. FAIR VALUE MEASUREMENT ON NON-CURRENT ASSETS (CONT'D)

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets:

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 31 March 2017** | | | | |
| Property, plant and equipment | | | | |
| - Leasehold lands | - | - | 113,054 | 113,054 |
| Plantation development expenditure | - | - | 596,908 | 596,908 |
| Investment properties | - | 660 | - | 660 |
| | - | 660 | 709,962 | 710,622 |

Description of valuation techniques used and key inputs to valuation on plantation development expenditure measured at Level 3:

| Category | Valuation technique | Significant unobservable inputs | Range (Weighted Average) |
|---|---|---|---|
| Oil palm | Investment method | Estimated cash flow by an appropriate rate of interest yield<br>Discount rate<br>Economic life | RM27,927 - RM35,306<br>8% - 9.5%<br>17 - 27 years |
| Acacia | Comparison method | Estimated survival rate for remaining partially damaged areas | 30% Survival rate |
| Rubber | Investment method | Estimated cash flow by an appropriate rate of interest yield<br>Discount rate<br>Economic life | RM18,698 - RM21,697<br>8% - 9%<br>10 - 12 years |
| Karas | Investment method | Estimated cash flow by an appropriate rate of interest yield<br>Discount rate<br>Economic life | RM1,986 - RM10,633<br>10%<br>3 - 9 years |

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets:

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 31 March 2016** | | | | |
| Property, plant and equipment | | | | |
| - Leasehold lands | - | - | 104,859 | 104,859 |
| Plantation development expenditure | - | - | 624,710 | 624,710 |
| Investment properties | - | 660 | - | 660 |
| | - | 660 | 729,569 | 730,229 |

# NOTES TO THE FINANCIAL STATEMENTS

## 38. FAIR VALUE MEASUREMENT ON NON-CURRENT ASSETS (CONT'D)

Description of valuation techniques used and key inputs to valuation on plantation development expenditure measured at Level 3:

| Category | Valuation technique | Significant unobservable inputs | Range (Weighted Average) |
|---|---|---|---|
| Oil palm | Investment & comparison method | Estimated cash flow by an appropriate rate of interest yield<br>Discount rate<br>Economic life | RM28,319 - RM34,558<br>8% - 9.5%<br>18 - 27 years |
| Acacia | Investment method | Estimated cash flow by an appropriate rate of interest yield<br>Discount rate<br>Economic life | RM2,564<br>8%<br>1 year |
| Rubber | Investment method | Estimated cash flow by an appropriate rate of interest yield<br>Discount rate<br>Economic life | RM15,996 - RM17,710<br>8%<br>11 - 13 years |
| Karas | Investment method | Estimated cash flow by an appropriate rate of interest yield<br>Discount rate<br>Economic life | RM14,217<br>9%<br>6 - 8 years |

Comparison method

This method of valuation seeks to determine the value of the investment properties, leasehold lands and certain plantation development expenditure ("the subject property") by comparing and adopting as a yardstick of recent transactions and sale evidences involving other similar property in the locality. These similarities and dissimilarities of the sales comparable are then reduced to a common denominator by adjusting for the differences between them and the subject property in order to arrive at the indicative value of the subject property.

Investment method

The investment method involves the following:

(i) Estimating the long-term average price of the crops. This is determined by analysing previous and current pricing trends;
(ii) Estimating the average annual costs of production for the crops which include general charges, transportation, fertilising, weeding, harvesting, etc;
(iii) Estimating the profit per ton per acre obtained by deducting (ii) from (i); and
(iv) Capitalising the net profit by an appropriate rate of interest (yield) reflecting the security of future income receivable from plantation.

# NOTES TO THE FINANCIAL STATEMENTS

## 39. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as going concerns and to maintain an optimal capital structure so as to maximise shareholder value. The Group and the Company maintain an optimum capital structure through internally generated funds.

The capital structure of the Group and of the Company consist of equity attributable to owners of the Company comprising share capital, reserves, retained profits and total liabilities.

The debt-to-equity ratio is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Total liabilities | 277,777 | 295,263 | 3,321 | 5,240 |
| Equity attributable to owners of the Company | 402,222 | 411,516 | 120,064 | 119,003 |
| Debt-to-equity ratio | 69.1% | 71.8% | 2.8% | 4.4% |

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## 40. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

**Companies Act 2016**

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which the Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Group and the Company prepared the financial statements for the financial year ended 31 March 2017 in accordance with the requirements of the Companies Act 2016.

Amongst the key changes introduced in the Companies Act 2016 which affect the financial statements of the Group and of the Company are:

- the removal of the authorised share capital;
- shares issued will have no par or nominal value; and
- share premium become part of share capital.

In addition, the financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965.

# SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the reporting date, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained profits of the Group and of the Company as at 31 March 2017 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Total retained profits of the Company and its subsidiaries | | | | |
| - Realised | 54,639 | 59,585 | 50,103 | 49,042 |
| - Unrealised | (18,245) | (14,906) | - | - |
| Total retained profits | 36,394 | 44,679 | 50,103 | 49,042 |

The determination of realised and unrealised profits is complied based on Guidance of 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,* issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

# STATEMENT BY DIRECTORS

## PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **TAN SRI DATO' LIM KANG YEW** and **LEE HUN KHENG,** being two of the directors of **PLS PLANTATIONS BERHAD,** do hereby state that in the opinion of the directors, the financial statements set out on pages 40 to 108 are properly drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

The supplementary information set out on page 109 have been prepared in accordance with the Guidance of 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 and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the director:

..........................................................................
**TAN SRI DATO' LIM KANG YEW**
Director

..........................................................................
**LEE HUN KHENG**
Director

Kuala Lumpur
Date: 17 July 2017

# STATUTORY DECLARATION

## PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, **HEI KUM HONG,** being the officer primarily responsible for the financial management of **PLS PLANTATIONS BERHAD,** do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 40 to 108 and the supplementary information set out on page 109 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

..........................................................................
**HEI KUM HONG**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 17 July 2017.

Before me,

..........................................................................
( Commissioner for Oaths )

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF PLS PLANTATIONS BERHAD
## INCORPORATED IN MALAYSIA

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of PLS Plantations Berhad, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 108.

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 March 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By- Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit 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.

**Going concern consideration - Group**

The directors have continued to adopt the going concern basis in preparing the financial statements after having prepared a cash flow forecast supporting the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the end of the financial year.

The directors' assessment on the Group's ability to continue as a going concern was an area of focus as the assessment requires the exercise of significant judgement by the directors on assumptions supporting the cash flow forecast, including the revenue and profit margins. These are fundamental to the appropriateness of the going concern basis which was adopted for the preparation of the financial statements.

**Our audit response:**

Our audit procedures included, among others:

- reviewing the cash flows forecast over the next 12 months;
- comparing the actual results with previous cash flow forecasts to assess the performance of the business and historical accuracy of the forecasts;
- reviewing the cash flow forecast by comparing the Group's assumptions to externally derived data as well as our assessments in relation to key assumptions such as the commodity prices, revenue and profit margins;
- testing the mathematical accuracy of the cash flow forecast calculation;
- performing sensitivity analysis for a range of reasonably possible scenarios;
- reviewing the letter of offer for the term loans and enquiring the Directors on the status of the term loans;
- reviewing the Group's Board resolution on the acceptance of term loans over the next 12 months; and
- assessing the appropriateness of disclosures in relation to going concern.

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF PLS PLANTATIONS BERHAD
## INCORPORATED IN MALAYSIA

**Key Audit Matters (Cont'd)**

**Plantation development expenditure (Note 8 to the financial statements)**

The valuation of oil palm, acacia, rubber and karas plantations require significant judgement and the fair value is sensitive to the assumptions that are made regarding the estimated future commodity prices together with the related cost of sales, the planted acreage of the respective plantations, yield, discount rate, the economic lives of the respective plantations and the integrity of the underlying cash flow projections. In addition, an amount of RM15,292,000 was written off in the profit or loss of the Group during the financial year as a portion of the forest plantations were damaged by the intrusion of wild animals and diseases.

We focused on this area because valuation requires significant judgements in determining the appropriate valuation model and the key assumptions used in the valuation.

**Our response:**

Our audit procedures included, among others:

- evaluating the competence, capabilities and objectivity of the external valuer, including consideration of the valuer's qualification and experience;
- enquiring the directors on the chronology of events on the damaged area of the forest plantations;
- enquiring the valuer on their scope of work on the valuation of forest plantations and the outcome of their site inspection on the forest plantations;
- review the meeting minutes with the Forestry Department to corroborate the damaged area of the forest plantations;
- corroborating the key inputs to the model, including commodity prices, yield and the area of land under cultivation to market data; and
- test the mathematical accuracy on the valuer's workings.

**Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

**Responsibilities of the Directors for the Financial Statements**

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF PLS PLANTATIONS BERHAD
## INCORPORATED IN MALAYSIA

**Responsibilities of the Directors for the Financial Statements (Cont'd)**

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF PLS PLANTATIONS BERHAD
## INCORPORATED IN MALAYSIA

**Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

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

**Other Reporting Responsibilities**

The supplementary information set out on page 109 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

**Baker Tilly Monteiro Heng**
No. AF 0117
Chartered Accountants

**Heng Fu Joe**
No. 02966/11/2018 J
Chartered Accountant

Kuala Lumpur

Date: 17 July 2017

# ANALYSIS OF SHAREHOLDINGS
## AS AT 30 JUNE 2017

| | | |
|---|---|---|
| Total Number of Issued Shares | : | 326,700,000 ordinary shares |
| Issued and fully paid-up | : | RM 65,340,000 |
| Voting rights | : | One vote per ordinary share |

### ANALYSIS BY SIZE OF SHAREHOLDINGS

| Size of Shareholdings | No. of shareholders | % | No. of shareholdings | % |
|---|---|---|---|---|
| Less than 100 | 42 | 5.64 | 735 | 0.00 |
| 100 to 1,000 | 224 | 30.11 | 54,365 | 0.02 |
| 1001 to 10,000 | 253 | 34.01 | 1,360,200 | 0.42 |
| 10,001 to 100,000 | 153 | 20.56 | 4,321,200 | 1.32 |
| 100,001 to less than 5% of issued shares | 68 | 9.14 | 125,995,500 | 38.56 |
| 5% and above of issued shares | 4 | 0.54 | 194,968,000 | 59.68 |
| **TOTAL** | **744** | **100.00** | **326,700,000** | **100.00** |

### SUBSTANTIAL SHAREHOLDERS

| Name of Shareholders | Direct shareholdings | % | Indirect shareholdings | % |
|---|---|---|---|---|
| 1. Serumpun Abadi Sdn Bhd | 76,500,000 | 23.42 | - | - |
| 2. Limbongan Resources Sdn Bhd | 74,970,000 | 22.95 | - | - |
| 3. Tan Sri Dato' Lim Kang Yew | 36,175,000 | 11.07 | - | - |
| 4. Dato' Lim Kang Poh | 22,323,000 | 6.83 | - | - |
| 5. Lee Hun Kheng | - | - | 74,970,000 (1) | 22.95 |
| 6. Datuk Lim Keng Guan | - | - | 81,605,000 (2) | 24.98 |
| 7. Tan Sri Dato' Lim Kang Hoo | - | - | 76,500,000 (3) | 23.42 |
| 8. Credence Resources Sdn Bhd | - | - | 76,500,000 (3) | 23.42 |
| 9. Kumpulan Prasarana Rakyat Johor Sdn Bhd | - | - | 76,500,000 (3) | 23.42 |

### DIRECTORS' SHAREHOLDINGS

| Name of Shareholders | Direct shareholdings | % | Indirect shareholdings | % |
|---|---|---|---|---|
| 1. Tan Sri Dato' Lim Kang Yew | 36,175,000 | 11.07 | - | - |
| 2. Mr Lee Hun Kheng | - | - | 74,970,000 (1) | 22.95 |
| 3. Tan Sri Dato' Lim Kang Hoo | - | - | 76,500,000 (3) | 23.42 |
| 4. Dato' Lim Kang Poh | 22,323,000 | 6.83 | - | - |
| 5. Encik Abd Razak Bin Mohd Yusoff | - | - | - | - |
| 6. Puan Norliza Binti Suleiman | - | - | - | - |
| 7. Dato' Haji Ibrahim Bin Haji Keling | - | - | - | - |
| 8. Encik Hisham Bin Mahmood | - | - | - | - |
| 9. Miss Kang Hui Ling | - | - | - | - |

Notes:-
(1) By virtue of deemed interest in Limbongan Resources Sdn Bhd
(2) By virtue of deemed interest in Limbongan Resources Sdn Bhd and Lim Seong Hai Holdings Sdn Bhd
(3) By virtue of deemed interest in Serumpun Abadi Sdn Bhd

# ANALYSIS OF SHAREHOLDINGS
## AS AT 30 JUNE 2017

### THIRTY (30) LARGEST SHAREHOLDERS

| No. | Name of shareholders | Shareholdings | % |
|---|---|---|---|
| 1. | Serumpun Abadi Sdn Bhd | 76,500,000 | 23.42 |
| 2. | Limbongan Resources Sdn Bhd | 59,970,000 | 18.36 |
| 3. | Tan Sri Dato' Lim Kang Yew | 36,175,000 | 11.07 |
| 4. | Dato' Lim Kang Poh | 22,323,000 | 6.83 |
| 5. | Limbongan Resources Sdn Bhd | 15,000,000 | 4.59 |
| 6. | Datuk Seri Lim Keng Cheng | 8,762,700 | 2.68 |
| 7. | RHB Nominees (Tempatan) Sdn Bhd<br>- Pledged securities account for Ngai Sok Fong | 7,623,300 | 2.33 |
| 8. | Lim Seong Hai Holdings Sdn Bhd | 6,635,000 | 2.03 |
| 9. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>- CIMB Bank for Mohamad Nor Bin Hamid | 4,079,200 | 1.25 |
| 10. | Yap Shing @ Yap Sue Kim | 3,857,300 | 1.18 |
| 11. | Khoo Nang Seng @ Khoo Nam Seng | 3,851,000 | 1.18 |
| 12. | Tan Wen Shiow | 3,845,400 | 1.18 |
| 13. | RHB Nominees (Tempatan) Sdn Bhd<br>- Pledged securities account for Tan Lai Leng | 3,729,600 | 1.14 |
| 14. | Koh Hong Seng | 3,708,500 | 1.14 |
| 15. | RHB Nominees (Tempatan) Sdn Bhd<br>- Pledged securities account for Gary Lee Seaton | 3,580,000 | 1.10 |
| 16. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>- Pledged securities account for Wong Kim Leng | 3,415,000 | 1.04 |
| 17. | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>- Pledged securities account for Yap Kok Woon | 3,367,500 | 1.03 |
| 18. | Wong Chooi Lin | 3,235,600 | 0.99 |
| 19. | Loh Yu San | 2,873,900 | 0.88 |
| 20. | RHB Nominees (Tempatan) Sdn. Bhd.<br>- Pledged securities account for Yap Song Ming | 2,712,400 | 0.83 |
| 21. | Maybank Securities Nominees (Tempatan) Sdn Bhd<br>- Pledged securities account for Cheong Meow Yen | 2,267,500 | 0.69 |
| 22. | Wong Khai Shiang | 2,261,000 | 0.69 |
| 23. | Maybank Securities Nominees (Tempatan) Sdn Bhd<br>- Pledged securities account for Pang Piu Fong | 2,195,500 | 0.67 |
| 24. | Gary Lee Seaton | 2,139,000 | 0.65 |
| 25. | Kencang Kuasa Sdn. Bhd. | 1,758,500 | 0.54 |
| 26. | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>- Pledged securities account for Wong Khai Shiang | 1,687,100 | 0.52 |
| 27. | Lim Hoe | 1,673,000 | 0.51 |
| 28. | Amsec Nominees (Tempatan) Sdn. Bhd.<br>- Pledge Securities Account for Tan Leak Goh | 1,568,200 | 0.48 |
| 29. | Yong Huoy Ping | 1,461,000 | 0.45 |
| 30. | Foo Suet Kum | 1,424,500 | 0.44 |
| **TOTAL** | | **293,679,700** | **89.89** |

# LIST OF PROPERTIES
## AS AT 31 MARCH 2017

| No | Location | Description /Existing Use | Area | Land Tenure | Age of Building | Date of Acquisition / Revaluation | Net Book Value RM'000 |
|---|---|---|---|---|---|---|---|
| 1* | HS (D) 4382 PTD 15688, Mukim Mersing, Mersing Johor | Oil Palm Estate | 849.84 Hectare (2,100 acre) | Leasehold 99 years expiring on 11 July 2105 | - | 31.03.2017 | 87,000 |
| 2* | HS (D) 4670 PTD 2140, Mukim Tenglu, Mersing Johor | Oil Palm Estate | 1,990.557 Hectare (4,918.77 acre) | Leasehold 99 years expiring on 21 October 2106 | - | 31.03.2017 | 183,000 |
| 3 | No. 21, Block A, Level 2, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA, 81200 Johor Bahru. | Apartments/ Vacant | 1,043 sq. ft. | Leasehold 99 years expiring on 22 Mar 2085 | 16 Years | 15.09.2000 | 105 |
| 4 | No. 22, Block A, Level 2, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA, 81200 Johor Bahru. | Apartments/ Vacant | 1,043 sq. ft. | Leasehold 99 years expiring on 22 Mar 2085 | 16 Years | 15.09.2000 | 105 |
| 5 | No. 21, Block A, Level 3, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA, 81200 Johor Bahru. | Apartments/ Vacant | 1,043 sq. ft. | Leasehold 99 years expiring on 22 Mar 2085 | 16 Years | 15.09.2000 | 104 |
| 6 | No. 22, Block A, Level 3, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA, 81200 Johor Bahru. | Apartments/ Vacant | 1,043 sq. ft. | Leasehold 99 years expiring on 22 Mar 2085 | 16 Years | 15.09.2000 | 104 |
| 7 | Plot 12, Jalan Simen 1, Kawasan Pelabuhan Johor, 81700 Pasir Gudang, Johor | Chipping Plant Factory | 543,743 sq. ft | Leasehold 19 years expiring on 30 Dec 2022 | 12 Years | 30.04.2004 | 6,690 |
| 8 | No.G-12, No. 1-12, No. 2-12, Blok 6, Danga Bay, Jalan Skudai, 80200 Johor Bahru | 3-Storey Shop Office | 3,413 sq. ft | Freehold | 10 Years | 05.10.2006 | 781 |
| 9 | No.G-13, No. 1-13, No.2-13, Blok 6, Danga Bay, Jalan Skudai, 80200 Johor Bahru | 3-Storey Shop Office | 3,348 sq. ft | Freehold | 10 Years | 05.10.2006 | 781 |

The group has not revalued all of its properties listed above except for those mark as asterick (*). It is not the Group's policy to carry out regular valuations of its property, plant and equipment.

* The revaluation and net book value of the properties stated are classified in property, plant and equipment and plantation development expenditure.

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**PLS PLANTATIONS BERHAD**
Company No. 160032-K

I/We *(full name in capital letter)*____________________NRIC/Company No.________________

of *(full address)*____________________________________

being a member/members of **PLS Plantations Berhad** hereby appoint *(full name in capital letter)* ________________

NRIC/Company No.________________of *(full address)*____________________

____________________________________________

or failing him / her, *(full name in capital letter)*________________NRIC/Company No.________________

of *(full address)*____________________________________

or failing him/her, the Chairman of the meeting as *my/our proxy to attend and vote on my/our and behalf at the **Thirtieth Annual General Meeting** of the Company to be held on **Wednesday, 27 September 2017 at 10.30 a.m.** at **Kiara Room, Sri Damansara Club, Lot 23304, Persiaran Perdana, Bandar Sri Damansara, 52200 Kuala Lumpur** and at any adjournment thereof.

My/Our proxy is to vote on a poll as indicated below with an "**X**".

| **ORDINARY BUSINESS** | | **FOR** | **AGAINST** |
|---|---|---|---|
| 1. Approval of Directors' Fees | [Resolution 1] | | |
| 2. Approval of Directors' Benefits | [Resolution 2] | | |
| 3. Re-election of Directors :-<br>a) Mr Lee Hun Kheng (Article 82) | [Resolution 3] | | |
| b) Miss Kang Hui Ling (Article 82) | [Resolution 4] | | |
| 4. Re-appointment of Dato' Haji Ibrahim Bin Haji Keling | [Resolution 5] | | |
| 5. Re-appointment of Auditors | [Resolution 6] | | |
| **SPECIAL BUSINESS** | | | |
| 6. Approval for Dato Haji Ibrahim Bin Haji Keling to continue to act as an Independent Non-Executive Director | [Resolution 7] | | |
| 7. Approval for Encik Hisham Bin Mahmood to continue to act as an Independent Non-Executive Director | [Resolution 8] | | |
| 8. Approval for Miss Kang Hui Ling to continue to act as an Independent Non-Executive Director | [Resolution 9] | | |
| 9. Authority to Issue Shares pursuant to Section 75 and 76 of the Companies Act 2016 | [Resolution 10] | | |
| 10. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature | [Resolution 11] | | |

Dated this ________ day of ________ 2017

Number of shares held ________

CDS Account No. ________

Signature of Shareholder (s)

**Notes:**

1. Only depositors whose names appear in the General Meeting Record of Depositors on 20 September 2017 shall be eligible to vote, speak and attend the Meeting.
2. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the meeting provided that where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. For an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
5. To be valid, this proxy form, duly completed must be deposited at the Registered Office not less than forty eight (48) hours before the time for holding the meeting or any adjournment thereof.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securites Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

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AFFIX
STAMP

THE COMPANY SECRETARIES
**PLS PLANTATIONS BERHAD**
(Company No. 160032-K)

Unit No. 9-01, Level 9,
Menara TSR
No. 12, Jalan PJU 7/3,
Mutiara Damansara,
47810 Petaling Jaya,
Selangor Darul Ehsan.

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**PLS PLANTATIONS BERHAD**
Company No. 160032-K

Unit 9-01, Level 9, Menara TSR,
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47810 Petaling Jaya, Selangor Darul Ehsan.
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