汉联机构有限公司 (502606-H)
HARN LEN CORPORATION BHD.

CONTENTS

Financial Statements 2017

DIRECTORS' REPORT

The directors of **HARN LEN CORPORATION BHD.** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2017.

PRINCIPAL ACTIVITIES

The Company is principally involved in the cultivation of oil palms, operation of a palm oil mill, property investment and investment holding.

The subsidiaries are principally involved in the cultivation of oil palms, operation of a palm oil mill, investment holding, property investment, transportation services and palm oil estate and plantation management. The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the Company in each subsidiary is as disclosed in Note 14 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	**The Company RM**
Profit (Loss) for the year attributable to:		
Owners of the Company	7,171,030	(17,269,979)
Non-controlling interests	603,991	-
	7,775,021	(17,269,979)

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

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any final dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

TREASURY SHARES

During the current financial year, the Company purchased 6,714,200 units of its own shares through purchases on Bursa Malaysia Securities Berhad, as disclosed in Note 22 to the financial statements. The total amount paid for the acquisition of the shares was RM4,824,810 and this has been deducted from equity. The repurchased transactions were financed by internally generated funds and the average price paid for the shares was RM0.72 per share. The repurchased shares are held as treasury shares in accordance with Section 127(4)(b) of the Companies Act, 2016.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. At the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent, or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT (Cont'd)

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, 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 operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

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

Puan Sri Datin Chan Pui Leorn
Low Quek Kiong
Low Kueck Shin
Low Kwek Lee
Low Kuek Kong
Low Kok Yong
Low Kok Yaow
Lee Chon Sing
Loh Wann Yuan
Law Piang Woon
Brig. Jen. (B) Dato' Ali bin Haji Musa
Mohamed Akwal bin Sultan Mohamad

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors as at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 in Malaysia, are as follows:

	No. of ordinary shares			
	Balance at January 1, 2017	**Bought**	**Sold**	**Balance at December 31, 2017**
Shares in the Company				
Registered in the name of directors				
Direct interest				
Puan Sri Datin Chan Pui Leorn	550,000	-	-	550,000
Low Quek Kiong	75,000	-	-	75,000
Low Kok Yong	720,000	-	-	720,000
Lee Chon Sing	1	-	-	1
Loh Wann Yuan	1	-	-	1

DIRECTORS' REPORT (Cont'd)

	No. of ordinary shares			
	Balance at January 1, 2017	Bought	Sold	Balance at December 31, 2017
Deemed interest				
Puan Sri Datin Chan Pui Leorn	124,676,608*[1]	6,553,000	(12,000,000)	119,229,608*[1]
Low Quek Kiong	125,151,608*[2]	6,553,000	(12,000,000)	119,704,608*[2]
Low Kueck Shin	125,226,608*[3]	6,553,000	(12,000,000)	119,779,608*[3]
Low Kwek Lee	125,226,608*[3]	6,553,000	(12,000,000)	119,779,608*[3]
Low Kuek Kong	125,226,608*[3]	6,553,000	(12,000,000)	119,779,608*[3]
Low Kok Yong	124,506,608*[4]	6,553,000	(12,000,000)	119,059,608*[4]
Low Kok Yaow	125,226,608*[3]	6,553,000	(12,000,000)	119,779,608*[3]
Shares in the subsidiary company, Harn Len Pelita Bengunan Sdn. Bhd.				
Deemed interest				
Puan Sri Datin Chan Pui Leorn	2,854,083	-	-	2,854,083
Low Quek Kiong	2,854,083	-	-	2,854,083
Low Kueck Shin	2,854,083	-	-	2,854,083
Low Kwek Lee	2,854,083	-	-	2,854,083
Low Kuek Kong	2,854,083	-	-	2,854,083
Low Kok Yong	2,854,083	-	-	2,854,083
Low Kok Yaow	2,854,083	-	-	2,854,083

*[1] By virtue of her interests in Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by her immediate family members, the late Tan Sri Dato' Low Nam Hui, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 8 of the Companies Act, 2016.

*[2] By virtue of his interests in Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by his immediate family members, the late Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Low Kok Yong and Low Siew Eng pursuant to Section 8 of the Companies Act, 2016.

*[3] By virtue of their interests in Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Yong Yaow Properties Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by their immediate family members, the late Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Low Quek Kiong, Low Kok Yong and Low Siew Eng pursuant to Section 8 of the Companies Act, 2016.

*[4] By virtue of his interests in Low Nam Hui United Holdings Sdn. Bhd., Low Nam Hui & Sons Sdn. Bhd., LNH Enterprise Sdn. Bhd., Seri Cemerlang Plantation (Pahang) Sdn. Bhd, Yong Yaow Properties Sdn. Bhd. and Shande Ancestral Park Berhad and the shares held by his immediate family members, the late Tan Sri Dato' Low Nam Hui, Puan Sri Datin Chan Pui Leorn, Low Quek Kiong and Low Siew Eng pursuant to Section 8 of the Companies Act, 2016.

DIRECTORS' REPORT (Cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors or the fixed salary of a full-time employee of the Company as disclosed in Note 8 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 he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related companies and certain companies in which certain directors of the Company are also directors and/or substantial shareholders as disclosed in Note 19 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' liability for purposes of Section 289 of the Companies Act, 2016, throughout the year which provides appropriate insurance cover for the directors of the Company. The amount of insurance premium paid during the year amounted to RM40,423.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended December 31, 2017 is as disclosed in Note 8 to the financial statements.

Signed on behalf of the Board, as approved by the Board
in accordance with a resolution of the Directors,

LOW QUEK KIONG

LOW KUECK SHIN

Johor Bahru
23 April 2018

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARN LEN CORPORATION BHD.
(Incorporate in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Harn Len Corporation Bhd., which comprise the statements of financial position as at December 31, 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at December 31, 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARN LEN CORPORATION BHD. (Cont'd)
(Incorporate in Malaysia)

Key Audit Matters

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

Key Audit Matters

Going concern

The financial statements of the Group and of the Company as at December 31, 2017 have been prepared on a going concern basis.

As at December 31, 2017 the Group's and the Company's current liabilities exceeded current assets by RM79,103,351 and RM38,785,107 respectively.

The Group's and the Company's operations are mainly financed by banking facilities that include term loans and bank overdrafts.

These events and conditions may cast significant doubt on the Group's and the Company's ability to continue as a going concern but there is no conclusive evidence that a material uncertainty exists.

This matter, is in our professional judgement considered to be a key audit matter because evaluating the above events and conditions and the actions the directors are taking to address them involves considering the judgement of the directors with respect to the key assumptions used in their assessment and the management's plan for future action, and on the feasibility of those plans. It is also of relevance to the audit that we consider whether the directors have provided adequate disclosure about the events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as going concern in order to achieve a fair presentation.

Note 3 to the financial statements discloses the directors' assessment on the ability of the Group's and the Company's ability to continue as a going concern.

How the key audit matter was addressed in our audit

Based on the audit evidence we have obtained, no material uncertainty exists with respect to the events and conditions identified that may cast a significant doubt on the Group's and the Company's ability to continue as a going concern.

We evaluated the detailed 2018 cash flow forecast prepared by management. The procedures performed on the model and areas where we challenged management are as follows :

1. We checked the consistency of the forecasts used in the going concern assessment with those used for impairment calculations;
2. We considered the appropriateness of the assumptions (including the oil palm prices and production volumes) that are the key assumptions used in the cash flow forecast. In challenging these assumptions, we took into account actual results, external data and market conditions;
3. We performed calculations of the sensitivity of management's projections of the availability of cash to the Group with respect to the possible changes in the key assumptions relating to oil palm prices and the tonnage yield;
4. We compared the potential profiles of repayment of borrowings of the Group and of the Company against the availability of confirmed borrowing facilities;
5. We tested the cash flow forecast for the next 12 months in respect of compliance with financial covenants of the bank borrowings facilities and obtained representation from the directors that there are no bank borrowings that were renegotiated or recalled.

We assessed the appropriateness of disclosures made in the Group's financial statements in respect of events and conditions identified that may cast a significant doubt on the Group's and the Company's ability to continue as a going concern as disclosed in Note 3 to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARN LEN CORPORATION BHD. (Cont'd)
(Incorporate in Malaysia)
DELOITTE PLT

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARN LEN CORPORATION BHD. (Cont'd)
(Incorporate in Malaysia)

DELOITTE PLT

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 skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARN LEN CORPORATION BHD. (Cont'd)
(Incorporate in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

CHAN CHONG WEY
Partner - 02884/07/2019 J
Chartered Accountant

Johor Bahru
23 April 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Revenue	5	324,977,832	269,555,981	41,709,648	51,070,443
Cost of goods sold	5	(244,817,499)	(218,486,936)	(32,465,385)	(44,485,056)
Gross profit	5	80,160,333	51,069,045	9,244,263	6,585,387
Other income		19,485,504	6,704,881	14,184,794	376,753
Administrative expenses		(34,995,810)	(28,575,612)	(21,519,504)	(17,728,329)
Distribution expenses		(22,636,664)	(20,959,694)	(1,463,107)	(1,833,144)
Other expenses		(19,350,808)	(1,083,245)	(12,936,268)	-
Finance income		9,523	9,621	2,115,358	2,143,964
Finance costs	7	(6,843,360)	(5,196,033)	(3,548,515)	(1,892,680)
Profit (Loss) before tax	8	15,828,718	1,968,963	(13,922,979)	(12,348,049)
Income tax (expense) credit	9	(8,053,697)	(6,851,350)	(3,347,000)	643,100
Profit (Loss) for the year		7,775,021	(4,882,387)	(17,269,979)	(11,704,949)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income/ (loss) for the year		7,775,021	(4,882,387)	(17,269,979)	(11,704,949)
Profit (Loss) attributable to:					
Owners of the Company		7,171,030	(8,339,831)	(17,269,979)	(11,704,949)
Non-controlling interests		603,991	3,457,444	-	-
Profit(Loss) per share					
Basic (sen)	10	4.0	(4.6)		

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
ASSETS					
Non-current Assets					
Property, plant and equipment	11	256,105,224	265,894,088	134,774,391	138,350,054
Biological assets	12	170,205,396	155,855,902	23,140,308	20,265,900
Investment properties	13	43,276,932	39,353,185	48,564,063	30,476,609
Investments in subsidiaries	14	-	-	105,616,498	117,124,150
Goodwill on consolidation	15	5,794,799	5,794,799	-	-
Deferred tax assets	16	1,704,041	4,253,354	-	2,464,000
Total Non-current Assets		477,086,392	471,151,328	312,095,260	308,680,713
Current Assets					
Inventories	17	9,893,128	7,414,030	4,288,514	1,336,250
Trade receivables	18	3,560,749	4,945,661	568,025	1,636,863
Other receivables, deposits and prepaid expenses	18	53,826,496	8,892,193	30,401,722	6,664,263
Amount owing from subsidiaries	19	-	-	8,311,414	3,762,515
Amount owing from affiliated companies	19	327,164	323,710	327,164	249,982
Tax recoverable		983,022	912,514	44,122	44,122
Cash and bank balances	20	4,914,879	3,474,684	1,779,285	1,377,899
Assets classified as held for sale	21	-	-	-	-
Total Current Assets		73,505,438	25,962,792	45,720,246	15,071,894
Total Assets		550,591,830	497,114,120	357,815,506	323,752,607
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	22	198,380,013	185,477,159	198,380,013	185,477,159
Reserves	22	116,950,175	127,506,809	45,596,765	80,594,408
Equity attributable to owners of the Company		315,330,188	312,983,968	243,976,778	266,071,567
Non-controlling interests	23	(9,703,554)	(10,307,545)	-	-
Total Equity		305,626,634	302,676,423	243,976,778	266,071,567

STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 (Cont'd)

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Non-current Liabilities					
Deferred tax liabilities	16	21,710,000	20,854,000	883,000	-
Retirement benefits	24	897,000	848,000	897,000	848,000
Loans and borrowings	25	69,749,407	66,667,198	27,553,375	18,923,275
Total Non-current Liabilities		92,356,407	88,369,198	29,333,375	19,771,275
Current Liabilities					
Trade payables	26	73,922,580	34,999,255	16,304,769	14,303,401
Other payables and accrued expenses	26	24,437,751	24,688,173	5,430,529	6,305,629
Amount owing to subsidiaries	19	-	-	46,740,321	1,077,700
Amount owing to affiliated companies	19	345,609	157,554	79,429	32,719
Tax liabilities		2,900	637	-	-
Loans and borrowings	25	53,899,949	46,222,880	15,950,305	16,190,316
Total Current Liabilities		152,608,789	106,068,499	84,505,353	37,909,765
Total Liabilities		244,965,196	194,437,697	113,838,728	57,681,040
Total Equity and Liabilities		550,591,830	497,114,120	357,815,506	323,752,607

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

		Attributable to owners of the Company							
		Non-distributable			Distributable				
	Note	Share Capital RM	Share Premium RM	Treasury Shares RM	Capital Reserve RM	Retained Earnings RM	Total RM	Non-controlling Interests RM	Total Equity RM
The Group									
Balance at January 1, 2016		185,477,159	6,634,854	(944)	6,268,000	127,988,051	326,367,120	(13,764,989)	312,602,131
Total comprehensive loss for the year		-	-	-	-	(8,339,831)	(8,339,831)	3,457,444	(4,882,387)
Buy-back of ordinary shares, representing total transactions with the owners of the Company	22	-	-	(5,043,321)	-	-	(5,043,321)	-	(5,043,321)
Balance at December 31, 2016		185,477,159	6,634,854	(5,044,265)	6,268,000	119,648,220	312,983,968	(10,307,545)	302,676,423
Total comprehensive income for the year		-	-	-	-	7,171,030	7,171,030	603,991	7,775,021
Buy-back of ordinary shares, representing total transactions with the owners of the Company	22	-	-	(4,824,810)	-	-	(4,824,810)	-	(4,824,810)
Transfer arising from “no par value” regime	22	12,902,854	(6,634,854)	-	(6,268,000)	-	-	-	-
Balance at December 31, 2017		198,380,013	-	(9,869,075)	-	126,819,250	315,330,188	(9,703,554)	305,626,634

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017 (Cont'd)

		Attributable to owners of the Company					
			Non-distributable			Distributable	
	Note	Share Capital RM	Share Premium RM	Treasury Shares RM	Capital Reserve RM	Retained Earnings RM	Total Equity RM
The Company							
Balance at January 1, 2016		185,477,159	6,634,854	(944)	6,268,000	84,440,768	282,819,837
Total comprehensive loss for the year		-	-	-	-	(11,704,949)	(11,704,949)
Buy-back of ordinary shares, representing total transactions with the owners of the Company	22	-	-	(5,043,321)	-	-	(5,043,321)
Balance at December 31, 2016		185,477,159	6,634,854	(5,044,265)	6,268,000	72,735,819	266,071,567
Total comprehensive loss for the year		-	-	-	-	(17,269,979)	(17,269,979)
Buy-back of ordinary shares, representing total transactions with the owners of the Company	22	-	-	(4,824,810)	-	-	(4,824,810)
Transfer arising from "nor par value" regime		12,902,854	(6,634,854)	-	(6,268,000)	-	-
Balance at December 31, 2017		198,380,013	-	(9,869,075)	-	55,465,840	243,976,778

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES					
Profit (Loss) before tax		15,828,718	1,968,963	(13,922,979)	(12,348,049)
Adjustments for:					
Bad debts written off		17,946,268	-	12,936,268	-
Depreciation of property, plant and equipment		15,478,482	14,931,017	4,146,968	4,472,128
Finance costs		6,843,360	5,196,033	3,548,515	1,892,680
Amortisation of biological assets		4,853,556	4,639,446	765,516	765,516
Amortisation of investment properties		521,248	490,491	907,925	760,279
Oil palm seedling written off		105,168	302,262	65,317	99,679
Charge for retirement benefits		49,000	88,000	49,000	88,000
Property, plant and equipment written off		147,000	95,089	147,000	49,020
Finance income		(9,523)	(9,621)	(2,115,358)	(2,143,964)
Impairment loss on:					
Amount owing from affiliated company		1,575	521,307	-	-
Trade receivables		22,681	4,580	22,681	4,580
Reversal of impairment loss on:					
Trade receivables		(21,394)	(21,300)	(21,394)	(21,300)
Biological assets		-	(5,800,000)	-	-
Gain on disposal of:					
Investment in subsidiary	29(iv)	(18,448,746)	-	(13,600,000)	-
Investment property arising from compulsory land acquisition		(6,216,800)	-	-	-
Operating Profit (Loss) Before Working Capital Changes		37,100,593	22,406,267	(7,070,541)	(6,381,431)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 (Cont'd)

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Movements in Working Capital:					
(Increase) Decrease in:					
Inventories		(2,584,267)	(1,389,554)	(3,017,581)	(600,564)
Trade receivables		(540,476)	1,305,667	1,067,551	277,250
Other receivables, deposits and prepaid expenses		(30,839,672)	(3,566,242)	(10,137,459)	(3,766,164)
Amount owing from affiliated company		(5,028)	1,010,301	(77,182)	(249,982)
(Decrease) Increase in:					
Trade payables		38,923,325	11,231,401	2,001,368	3,465,201
Other payables and accrued expenses		18,264,914	(1,668,461)	(875,100)	337,306
Amount owing to subsidiaries		-	-	41,933	378,762
Amount owing to affiliated companies		188,055	(902,915)	46,710	(751,899)
Cash Generated From (Used In) Operations		60,507,444	28,426,464	(18,020,301)	(7,291,521)
Income tax paid		(5,971,719)	(2,067,376)	-	-
Income tax refunded		1,255,094	322,220	-	320,000
Net Cash From (Used In) Operating Activities		55,790,819	26,681,308	(18,020,301)	(6,971,521)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES					
Acquisition of:					
Property, plant and equipment	29(ii)	(11,125,371)	(8,160,772)	(718,305)	(607,950)
Biological assets	29(iii)	(22,119,368)	(24,189,520)	(3,639,924)	(3,084,143)
Investment properties		(18,759,380)	(16,178,825)	(18,995,379)	(16,750,830)
Subscription for shares in a subsidiary		-	-	-	(100)
Interest received		9,523	9,621	2,115,358	2,143,964
Changes in pledged deposits		(9,523)	(29,622)	(9,523)	(29,622)
Advances from subsidiaries		-	-	39,643,173	-
Repayment from subsidiaries		-	-	-	19,554,501
Net Cash (Used In) From Investing Activities		(52,004,119)	(48,549,118)	18,395,400	1,225,820

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 (Cont'd)

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES					
Interest paid		(7,095,468)	(5,688,619)	(3,548,546)	(1,892,680)
Repayment of hire-purchase payables		(3,602,921)	(3,644,287)	(512,003)	(608,221)
Drawdown of term loans		10,800,000	29,092,838	10,800,000	13,465,000
Repayment of term loans		(1,702,624)	(482,258)	(1,131,459)	(480,409)
Repurchase of treasury shares		(4,824,810)	(5,043,321)	(4,824,810)	(5,043,321)
Net utilisation (repayment) of bank overdrafts		4,069,795	648,241	(766,418)	61,951
Net Cash (Used In) From Financing Activities		(2,356,028)	14,882,594	16,764	5,502,320
NET INCREASE (DECREASE) IN CASH AND BANK BALANCES		1,430,672	(6,985,216)	391,863	(243,381)
CASH AND BANK BALANCES AT BEGINNING OF THE YEAR		3,116,168	10,101,384	1,019,383	1,262,764
CASH AND BANK BALANCES AT END OF THE YEAR	29(i)	4,546,840	3,116,168	1,411,246	1,019,383

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally involved in the cultivation of oil palms, operation of a palm oil mill, property investment and investment holding.

The subsidiaries are principally involved in the cultivation of oil palms, operation of a palm oil mill, investment holding, property investment, transportation services and palm oil estate and plantation management. The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 14.

The registered office and the principal place of business of the Company is located at 6th Floor, Johor Tower, No. 15, Jalan Gereja, 80100 Johor Bahru, Johor, Malaysia.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM").

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on April 23, 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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.

2.1 Adoption of amendments to FRSs

In the current financial year, the Group and the Company have adopted a number of amendments to FRS issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after January 1, 2017 as follows:

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRSs	Annual Improvements to FRSs 2014 - 2016 cycle

The adoption of the above amendments to FRS does not have any material impact on the financial statements of the Group and of the Company in the period of initial application other than additional disclosures made in Note 29 arising from the adoption of Amendments to MFRS 107 *Disclosure Initiative.* Such disclosure enables users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from both cash flows and non-cash changes. The amendments have been applied prospectively and accordingly, comparative information was not presented.

2.2 Interpretations in issue but not yet effective

As at the date of authorisation for issue of these financial statements, the Group and the Company have not applied the following Interpretation ("IC Int.") that have been issued but not yet effective:

IC Int. 22	Foreign Currency Transactions and Advance Consideration[1]
IC Int. 23	Uncertainty Over Income Tax Payments[2]

1 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The directors anticipate that the abovementioned IC Int. will be adopted in the financial statements of the Group and of the Company when they become effective and that the adoption of these IC Int. will have no material impact on the amounts reported in the financial statements of the Group and of the Company in the period of initial application.

2.3 Malaysian Financial Reporting Standards

On November 19, 2011, MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework"), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after January 1, 2012, with the exception of Transitioning Entities ("TE").

TE, being entities within the scope of MFRS 141 *Agriculture* and/or IC Int. 15: *Agreements for the Construction of Real Estate*, including its parents, significant investors and venturers were allowed to defer the adoption of MFRS Framework until such time as mandated by MASB. On September 2, 2014, with the issuance of MFRS 15 *Revenue from Contracts with Customers* and Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*, the MASB announced that TE which have chosen to continue with the FRS Framework is now required to adopt the MFRS Framework latest by January 1, 2017. However, following the announcement by MASB on September 8, 2015, the effective date of MFRS 15 is now deferred to annual periods beginning on or after January 1, 2018.

The Group and the Company, being TE, have availed themselves of this transitional arrangement and will continue to apply FRS in the preparation of its financial statements. Accordingly, the Group and the Company will be required to prepare its first set of MFRS financial statements for the financial year ending December 31, 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The directors anticipate that the adoption of the MFRS, including the new and amendments to MFRS which are in issue but not yet effective, as at the date of these report will have no material impact on the financial statements in the period of initial application except as disclosed below:

MFRS 16 Leases

MFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. MFRS 16 will supersede the current lease guidance including MFRS 117 *Leases* and the related interpretations when it becomes effective.

MFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinction of operating leases and finance leases are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid as of that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under the MFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by MFRS 16.

The directors of the Group and of the Company are currently assessing the impact on adoption of MFRS 16 on the amounts reported and disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Company complete a detailed review.

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

MFRS 141 prescribes the accounting treatment, financial statements presentation and disclosures related to agricultural activity. It requires measurement of fair value less costs to sell, from initial recognition of biological assets up to the point of harvest.

On September 2, 2014, the amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 141 *Agriculture: Bearer Plants* introduce a new category of biological assets i.e. bearer plants. A bearer plant is a living plant that is used in the production and supply of agricultural produce, is expected to bear produce for more than one period, and has remote likelihood of being sold as agriculture produce. Bearer plants are accounted for under MFRS 116 as an item of property, plant and equipment. Agricultural produce growing on bearer plants continue to be measured at fair value less costs to sell under MFRS 141, with fair value changes recognised in profit or loss as the produce grows.

The Group's bearer plants consist of oil palm trees which the cost includes development expenditure and the plantation infrastructure from land clearing to the point of harvesting. Any replanting costs incurred are capitalised. These costs are currently in plantation development expenditure accounts and are measured at cost less accumulated depreciation based on estimated annual yield over 25 years. Upon adoption of MFRS framework, the net carrying amount of the plantation development expenditure accounts will be reclassified to bearer plants as part of the Group's property, plant and equipment.

Produce growing on bearer plants of the Group comprise of fresh fruit bunches ("FFB") prior to harvest. The valuation to be adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB. To arrive at the fair value of FFB, the management has considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generated from FFB prior to more than 15 days to harvest to be negligible, therefore quantity of unripe FFB on bearer plant of up to 15 days prior to harvest was used for valuation purpose. Costs to sell, which include harvesting and transport cost, are deducted in arriving at the net cash flow to be generated.

The directors anticipate that the MFRS 141 will be adopted in the financial statements of the Group and of the Company when they become effective and that the adoption of MFRS 141 will have no material impact on the amounts reported in the financial statements of the Group and of the Company in the period of initial application.

FRS 9 *Financial Instruments*

FRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. FRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of FRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measure category for certain simple debt instruments.

Key requirements of FRS 9:

- All recognised financial assets that are within the scope of FRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under FRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, FRS 9 requires that the amount change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, FRS 9 reflects an expected credit loss model, as opposed to an incurred credit loss model under FRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 139. Under FRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on analysis of the Group's and of the Company's financial assets and financial liabilities as at December 31, 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as below:

<u>Classification and measurement</u>

The Group's and the Company's trade and other receivables, amount owing by related parties and cash and bank balances will continue to be subsequently measured at amortised cost upon the application of MFRS 9.

All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under FRS 139.

<u>Impairment</u>

The Group's and the Company's receivables will be subject to the impairment provision of MFRS 9. In general, the directors anticipate that the application of the expected credit loss model of MFRS 9 will result in earlier recognition of credit losses and will increase the amount of loss allowances recognised.

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue 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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1 Identify the contract(s) with a customer
Step 2 Identify the performance obligations in the contract
Step 3 Determine the transaction price
Step 4 Allocate the transaction price to the performance obligations in the contract
Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

In April 2016, the International Accounting Standard Board issued Clarifications to MFRS 15 in relation to the identification of performance obligation, principal versus agent considerations, as well as licensing application guidance.

Apart from providing more extensive disclosures on the Group's and on the Company's revenue transactions, the directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/or financial performance of the Group and of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies stated below:

Going Concern

As at December 31, 2017, the Group's and the Company's current liabilities exceeded current assets by RM79,103,351 and RM38,785,107 (2016: RM80,105,707 and RM38,785,107) respectively. As at the end of the reporting period, the Group and the Company have committed bank borrowings and finance lease liabilities with a total of RM123,649,356 and RM43,503,680 (2016: RM112,890,078 and RM35,113,591) respectively, with undrawn facilities of RM29.3 million.

As at the end of the reporting period, the committed banking facilities and finance lease payables of the Group and of the Company of RM123.6 million and RM43.5 million consisted of the following:

The Group

- Term loan facilities of RM56.4 million amortised over the period to year 2035 with remaining undrawn facilities of RM24.6 million.
- Hire-purchase facilities of RM4.4 million are due within 5 years.
- Finance lease liabilities of RM17.7 million for the Native Customary Rights land amortised over a 60 year period to the year 2074.
- Bank overdraft facilities of RM49.8 million with remaining undrawn facilities of RM4.6 million.

The Company

- Fully drawn term loan facilities of RM28.8 million amortised over the period to year 2035.
- Hire-purchase facilities of RM0.5 million are due within 5 years.
- Fully utilised bank overdraft facilities of RM15 million with no remaining undrawn facilities available.

The financial statements have been prepared on a going concern basis. In making the assessment that the Group and the Company are going concerns, the Board has considered the Group's cash flow forecasts for the period ending December 31, 2018. The Board identified the increase of oil palm prices and production volumes, which includes the acreage planted with oil palms, their age and tonnage yield, as the most sensitive variables in the expected cash flows.

Notwithstanding the net current liabilities position, as a plantation and property owner, the Group still has significant long term assets which it could use as a security for banking facilities.

The Directors are of the opinion that the current market outlook and prices of oil palm products and the relationship with the banks would enhance the Group's ability to secure adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Basis of Consolidation

(i) Subsidiary companies

Subsidiary companies are entities controlled by the Company. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 (Cont'd)

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the 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.

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.

(iii) Acquisitions of non-controlling interests

The Group accounts for changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a 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 equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) 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.

Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated 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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

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

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Buildings are depreciated on a straight line basis over fifty (50) years. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Leasehold land is amortised in equal instalments over the period of the respective leases which range from sixty (60) to ninety-seven (97) years.

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

Estate buildings	25 years
Roads and bridges	10 years
Plant and machinery	10 years
Motor vehicles, furniture, fittings and equipment	5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

Biological Assets

Biological assets are stated at cost less any accumulated amortisation and any accumulated impairment losses. Biological assets comprise plantation development expenditure.

New planting expenditure incurred on land clearing, upkeep of immature palms/trees and interest incurred during the immature period are capitalised under Plantation Development Expenditure. Upon maturity, all subsequent maintenance expenditure is charged to profit or loss. An oil palm is considered matured 3 years after the month of planting. Teak trees are considered matured 17 years after the month of planting.

Plantation Development Expenditure of oil palm estates and the capitalised pre-cropping cost will be amortised on a straight line basis over 25 years being the current expected useful lives of oil palm trees. The useful lives of oil palms would be subjected to review in the future and may be adjusted as considered appropriate.

All replanting expenditure is also capitalised in plantation development expenditure and amortised on the above mentioned basis.

Plantation Development Expenditure of teak trees is not amortised and will be charged to profit or loss at the time of harvest and sale of trees based on the area harvested.

Investment Property

(i) Investment property carried at cost

Investment properties are properties which are owned or held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less any accumulated amortisation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy.

Freehold land is not depreciated.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

Transfers between investment property, property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

Leases

(i) As Lessee

Lease in terms of which the Group and the Company assume substantially all the risks and rewards of ownership, including hire-purchase arrangement, are classified as finance lease. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's and in the Company's statements of financial position. Operating lease income and payments are recognised as revenue and expense in the statements of profit or loss and other comprehensive income on a straight-line basis over the relevant lease terms.

(ii) As Lessor

Leases in which the Group and the Company do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset are recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Intangible Assets

Goodwill on consolidation

Goodwill on consolidation arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating unit (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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.

Non-current Assets Held for Sale or Distribution to Owners

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, 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 a 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.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale or distribution.

Impairment

(i) Financial assets

All financial assets except for investments in subsidiaries are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets except for inventories and deferred tax assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

Affiliated Company

An affiliated company is a company in which certain Directors of the Company have significant influence or substantial financial interest.

Revenue and Other Income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities 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 persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services rendered

Revenue from the provision of rooms, food and beverage, laundry service fees and other income are recognised when services are rendered.

(iii) Rental income

Income from rental of offices is recognised in 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.

Rental from car parks are recognised based on value invoiced to customers.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: i) the initial recognition of goodwill and ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Employee Benefits

(i) Short-term Employee Benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State Plans

The Group's contribution to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Retirement Benefits

The hotel division of the Group has set up a retirement obligation for eligible employees of the division. The division sets aside amounts for retirement benefits based on the basic salary of each eligible employee at the end of each financial year of service over the employees' period of employment. The liabilities are determined by the management and it is not expected to have a material impact to the financial statements.

Earnings per Ordinary Share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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 period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise Convertible notes and share options granted to employees.

Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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 not recognised in the statements of financial position and 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.

Fair Value Measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Financial Instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 (Cont'd)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company have the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investments in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Repurchase, disposal and re-issue of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statements of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss 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 debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts, which form an integral part of the Group's and the Company's cash management, and excluded pledged deposits. Bank overdrafts classified as financing activities has been excluded from cash and cash equivalents.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no significant areas of estimation uncertainty and judgements made by management in the process of applying accounting policies on the amounts recognised in the financial statements other than those disclosed in the following notes:

(a) Critical judgements in applying the Group's accounting policies:

i. Note 3 - Going concern; and

(b) Key sources of estimation uncertainty:

i. Note 13 - Investment properties; and
ii. Note 15 - Valuation of goodwill on consolidation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 (Cont'd)

5. REVENUE, COST OF GOODS SOLD AND GROSS PROFIT

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Plantation income	310,777,015	262,498,687	33,733,500	44,023,479
Property, hotel and other income	14,200,817	7,057,294	7,976,148	7,046,964
	324,977,832	269,555,981	41,709,648	51,070,443
Cost of sales of agricultural produces	234,252,291	208,300,069	21,900,177	34,140,110
Cost of services	10,565,208	10,186,867	10,565,208	10,344,946
	244,817,499	218,486,936	32,465,385	44,485,056
Gross profit	80,160,333	51,069,045	9,244,263	6,585,387

6. SEGMENTAL ANALYSIS

Business Segments

For management purposes, the Group is organised into the following reportable operating segments based on their products and services and similar economic characteristics:

- Plantation - The operation of oil palm estate, palm oil mills, sales and purchase of fresh fruit bunches, sales and trading of crude palm oil and palm kernel and the provision of plantation development contract services to related parties and external customers.
- Property and hotel - Property investment and hotel operation.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Operating profit or loss are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess the Group's performance. The Group's income taxes are managed on a group basis and are not allocated to operating segments.

Segment capital expenditure comprises additions to property, plant and equipment, biological assets and investments properties.

No geographical segmental analysis is presented as the Group operates principally in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 (Cont'd)

	Plantation RM	Property and Hotel RM	Elimination RM	Total RM
The Group				
2017				
Revenue				
External sales	310,777,015	14,200,817	-	324,977,832
Inter-segment income^	47,182,788	-	(47,182,788)	-
Total revenue	357,959,803	14,200,817	(47,182,788)	324,977,832
Segment results	31,011,482	(1,542,948)	-	29,468,534
Finance costs	(5,350,743)	(1,492,617)	-	(6,843,360)
Unallocated expenses:				
Directors' remuneration				(6,353,280)
Others				(443,176)
Profit before tax				15,828,718
Assets				
Reported segment assets	383,518,712	130,317,946	-	513,836,658
Corporate assets				36,755,172
Consolidated total assets				550,591,830
Liabilities				
Segment liabilities	194,070,827	13,347,443	-	207,418,270
Corporate liabilities				37,546,926
Consolidated total liabilities				244,965,196
The Group				
2016				
Revenue				
External sales	262,498,687	7,057,294	-	269,555,981
Inter-segment income^	41,608,189	-	(41,608,189)	-
Total revenue	304,106,876	7,057,294	(41,608,189)	269,555,981
Segment results	19,310,639	(5,592,247)	-	13,718,392
Finance costs	(4,782,505)	(413,528)	-	(5,196,033)
Unallocated expenses:				
Directors' remuneration				(6,230,173)
Others				(323,223)
Profit before tax				1,968,963

	Plantation RM	Property and Hotel RM	Elimination RM	Total RM
Assets				
Reported segment assets	378,207,234	107,090,656	-	485,297,890
Corporate assets				11,816,230
Consolidated total assets				497,114,120
Liabilities				
Segment liabilities	150,312,102	4,729,619	-	155,041,721
Unallocated corporate liabilities				39,395,976
Consolidated total liabilities				194,437,697

^ Inter-segment income is eliminated on consolidation and reflected in the elimination column.

Included in revenue arising from third party sales of RM324,977,832 (2016: RM269,555,981) is revenue of approximately RM273,912,771 (2016: RM217,432,735) and RM20,371,847 (2016: RM25,991,030) respectively which arose from sales to the Group's largest customers. No other single customers contributed 10% or more to the Group's revenue for both 2017 and 2016.

7. FINANCE COSTS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest on:				
Financial liabilities that are not at fair value through profit and loss	7,705,696	6,055,977	3,548,515	1,892,680
Less: Finance cost capitalised (Note 12)	(862,336)	(859,944)	-	-
	6,843,360	5,196,033	3,548,515	1,892,680

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 (Cont'd)

8. PROFIT (LOSS) BEFORE TAX

Profit (Loss) before tax has been arrived at after (crediting) charging the following:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Staff costs (including key management personnel) (Note 19))	23,597,250	23,153,483	16,286,601	16,946,046
Bad debts written off	17,946,268	-	12,936,268	-
Depreciation of property, plant and equipment (Note 11)	15,478,482	14,931,017	4,146,968	4,472,128
Directors':				
Fees	200,000	200,000	200,000	200,000
Remuneration	6,153,280	6,030,173	5,104,720	4,981,613
Amortisation of biological assets (Note 12)	4,853,556	4,639,446	765,516	765,516
Hiring of machinery	2,410,384	2,359,154	176,612	243,637
Impairment loss on:				
Amount owing from affiliated companies	1,575	521,307	-	-
Trade receivables (Note 18)	22,681	4,580	22,681	4,580
Amortisation of investment properties (Note 13)	521,248	490,491	907,925	760,279
Oils palm seedlings written off	105,168	302,262	65,317	99,679
Audit fee:				
Statutory audit	190,000	175,500	95,000	85,000
Non-statutory audit	20,000	20,000	20,000	20,000
Property, plant and equipment written off	147,000	95,089	147,000	49,020
Charge for retirement benefits (Note 24)	49,000	88,000	49,000	88,000
Reversal of impairment loss on:				
Trade receivables (Note 18)	(21,394)	(21,300)	(21,394)	(21,300)
Biological assets (Note 12)	-	(5,800,000)	-	-
Gain on disposal of:		-	-	-
Investment in subsidiary company	(18,448,746)	-	(13,600,000)	-
Investment property arising from compulsory land acquisition	(6,216,800)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 (Cont'd)

Included in staff costs are the following:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Staff costs	21,705,782	20,942,086	15,021,662	15,442,271
Less:				
Capitalised in biological assets (Note 12)	(467,496)	(144,541)	(288,438)	(116,473)
	21,238,286	20,797,545	14,733,224	15,325,798
Contributions to state plans	2,358,964	2,355,938	1,553,377	1,620,248
	23,597,250	23,153,483	16,286,601	16,946,046

The estimated monetary value of Directors' benefit-in-kind for the Group and the Company is RM226,500 (2016: RM246,444).

9. INCOME TAX EXPENSE (CREDIT)

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense:				
Current year	5,244,859	1,087,920	-	-
(Over)Underprovision in prior years	(596,475)	(8,035)	-	-
	4,648,384	1,079,885	-	-
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	3,220,313	1,529,565	2,858,000	(574,000)
Under(Over)provision in prior years	185,000	4,241,900	489,000	(69,100)
	3,405,313	5,771,465	3,347,000	(643,100)
	8,053,697	6,851,350	3,347,000	(643,100)

Malaysian corporate income tax is calculated at the statutory tax rate of 24% of the estimated taxable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 (Cont'd)

The reconciliation between tax expense and accounting profit multiplied by the applicable statutory tax rate are as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Profit (Loss) before tax	15,828,718	1,968,963	(13,922,979)	(12,348,049)
Tax at the applicable statutory calculated tax rate of 24%	3,798,892	472,551	(3,341,515)	(2,963,532)
Tax effects of:				
Expenses that are not deductible in determining taxable profit	5,047,371	2,809,934	2,298,045	1,614,532
Income that is not taxable in determining taxable profit	(1,991,090)	(1,528,000)	(2,286)	(554,000)
Deferred tax assets not recognised	1,610,000	863,000	2,505,000	1,329,000
Group relief	-	-	1,398,756	-
(Over)Underprovision of income tax in prior years	(596,476)	(8,035)	-	-
Under(Over)provision of deferred tax in prior years	185,000	4,241,900	489,000	(69,100)
Tax expense (credit) for the year	8,053,697	6,851,350	3,347,000	(643,100)

As mentioned in Note 3, deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances and unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances and unutilised tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017 (Cont'd)

As at December 31, 2017, the net taxable temporary differences, unabsorbed capital allowances, unutilised tax losses and provision of the Group and of the Company which have not been recognised in the financial statements due to uncertainty of their realisation in the foreseeable future, are as follows:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Taxable temporary differences	95,316,000	76,022,000	-	-
Unabsorbed capital allowances	(87,461,000)	(66,941,000)	(12,479,000)	(2,042,000)
Unutilised tax losses	(55,470,000)	(49,991,000)	-	-
	(47,615,000)	(40,910,000)	(12,479,000)	(2,042,000)

The unabsorbed capital allowances and unutilised tax losses, which are subject to agreement by tax authorities, are available for offset against the future taxable profit.

The comparative figures have been revised to reflect the previous year's final tax submission.

The Income Tax (Exemption) (No. 2) Order 2017 [P.U.(A) 117/2017] gazetted on April 10, 2017 enacted that the incremental portion of chargeable income compared to the immediate preceding year of assessment enjoys reduced income tax rate as follows with effect on years of assessment 2017 and 2018. Following these, the applicable tax rate to be used for the measurement of any applicable deferred tax will be the below expected rates:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point of reduction on income tax rate %	Reduced income tax rate on increase in chargeable income %
Less than 5%	Nil	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20

10. EARNINGS (LOSS) PER SHARE

Basic/Diluted earnings (loss) per share

The earnings (loss) and weighted average number of ordinary shares used in the calculation of basic earnings (loss) per share are as follows:

	The Group	
	2017	**2016**
	RM	**RM**
Profit/(Loss) for the year attributable to owners of the Company	7,171,030	(8,339,831)
Weighted average number of ordinary shares for the purposes of basic earnings per share	178,215,700	181,777,576
Basic earnings / (loss) per share (sen)	4.0	(4.6)

There are no potential dilutive ordinary shares.

11. **PROPERTY, PLANT AND EQUIPMENT**

	Land and Buildings RM	Roads and Bridges RM	Plant and Machinery RM	Motor vehicles, Furniture, Fittings and Equipment RM	Construction -in-progress RM	Total RM
The Group						
Cost						
Balance at January 1, 2016	253,120,371	18,858,907	47,604,989	45,766,730	1,278,150	366,629,147
Additions	1,504,577	638,050	3,840,030	3,154,895	399,250	9,536,802
Transfer from assets held for sale (Note 21)	9,045,440	368,249	-	-	-	9,413,689
Written off	-	-	-	(121,468)	(12,220)	(133,688)
Balance at December 31, 2016	263,670,388	19,865,206	51,445,019	48,800,157	1,665,180	385,445,950
Additions	2,973,320	3,743,923	2,642,030	1,961,759	389,139	11,710,171
Transfer from investment properties (Note 13)	6,460,145	-	-	-	-	6,460,145
Disposal of subsidiary	(9,144,874)	(368,249)	-	-	-	(9,513,123)
Written off	-	-	(147,000)	-	-	(147,000)
Reclassification	-	-	788,389	-	(788,389)	-
Balance at December 31, 2017	263,958,979	23,240,880	54,728,438	50,761,916	1,265,930	393,956,143
Accumulated Depreciation						
Balance at January 1, 2016	37,963,163	15,737,296	23,275,616	27,375,517	-	104,351,592
Charge for the year	4,954,568	865,623	3,773,323	5,645,355	-	15,238,869
Disposals	-	-	-	(38,599)	-	(38,599)
Balance at December 31, 2016	42,917,731	16,602,919	27,048,939	32,982,273	-	119,551,862
Charge for the year	5,275,621	1,077,250	3,942,219	5,517,244	-	15,812,334
Transfer from investment properties (Note 13)	310,562	-	-	-	-	310,562
Disposal of subsidiary company	(14,166)	(4,952)	-	-	-	(19,118)
Balance at December 31, 2017	48,489,748	17,675,217	30,991,158	38,499,517	-	135,655,640