KIM LOONG
RESOURCES BERHAD
(22703-K)
錦隆資源有限公司

Targeting Better Sustainability

Annual Report 2017

The principal activities of the KLR Group are divided into two main areas: Plantation operations and milling operations. Years of experience and expertise of the Board and the management have propelled the KLR Group to mature and excel in both activities.

Contents

CORPORATE MILESTONES

2016/2017
Kim Loong Resources Berhad was awarded by The Edge in year 2016 as the highest returns to shareholders over three years in Malaysia (Plantation).

2013/2014

Telupid Mill was awarded by MPOB for achieving the highest OER (External FFB Source) in Malaysia.

2010

Kim Loong Resources Berhad received the shareholder value award (Agriculture & Fisheries sector) from KPMG. Commissioned the second palmpressed fibre oil extraction plant. The Group expanded into Sarawak by acquiring Tetangga Akrab Pelita (Pantu) Sdn Bhd (currently known as Winsome Pelita (Pantu) Sdn Bhd), a joint venture company with Pelita Holdings Sdn Bhd to develop Native Customary Rights Land ("NCR Land") with estimated plantable area of 6,300 Ha in Sri Aman Division.

2008

Commissioned the 3rd palm oil mill at Telupid, Sabah. Commissioned our first CDM project at Kota Tinggi in August 2008. Kim Loong Resources Berhad received an award from Malaysia Cocoa Board under cocoa estate category.

2007

Keningau Mill was awarded by MPOB as the highest OER mill in Malaysia in year 2007. The Group undertook another CDM project in our Keningau mill.

2006

The Group undertook a biogas plant in our Kota Tinggi mill as a Clean Development Mechanism ("CDM") project under the Kyoto Protocol to the United Nations Framework Convention on Climate Change ("UNFCCC").

2005

Keningau Mill was awarded by MPOB for achieving OER exceeding 25%.

2004

The Group entered into a Development cum Joint Venture with Al-Yatama Berhad to develop 2,702 acres of land in Kota Tinggi, Johor. Capacity of our Keningau Mill was successfully expanded to 45 MT of FFB per hour.

2003

Kim Loong Resources Berhad expanded its downstream diversification by entering into a Supply and Installation Contract and a Joint Venture Agreement in 2004 to undertake projects to extract CPO from wet palm fibre and extract tocotrienol concentrates from CPO under Kim Loong Technologies Sdn. Bhd. and Palm Nutraceuticals Sdn. Bhd. respectively.

Corporate Milestone
(cont'd)

2002

Construction of the Keningau Mill which commenced operations in February 2003. Kota Tinggi Mill won the most innovative mill award by MPOB.

2000

Kim Loong Resources Berhad was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad).

1999

As part of the listing restructuring exercise, KLPO group (milling operations at Kota Tinggi, Johor) and KLC (the plantation and milling operations at Sook, Keningau, Sabah) were transferred to Kim Loong Resources Berhad.

1998

Incorporation of Kim Loong Corporation Sdn. Bhd. ("KLC") by SKL to enter into a JV with Desa Cattle (S) Sdn. Bhd. to develop 17,731 acres of land into oil palm plantation and to erect new palm oil mill in Sook, Keningau, Sabah. Kota Tinggi Mill was ranked the largest commercial mill in Malaysia in terms of its CPO Production.

1997

Incorporation of Desa Kim Loong Plantations Sdn. Bhd. (currently known as Kim Loong – KPD Plantations Sdn. Bhd.) to enter into a JV with Korporasi Pembangunan Desa to develop 4,000 acres of land in Telupid, Sandakan, Sabah, into an oil palm plantation. Restructuring exercise to transfer all Sabah plantation operations to Kim Loong Resources Berhad.

1981

SKL expanded into Sabah by acquiring 1,000 acres of land in Sandakan, Sabah. Cocoa was first planted on the land followed by oil palm.

1977

Incorporation of Kim Loong Palm Oil Sdn. Bhd. (currently a subsidiary of Kim Loong Resources Berhad) by SKL to undertake the milling operation and relocation of palm oil mill to Kota Tinggi, Johor under Kim Loong Palm Oil Mills Sdn. Bhd. which commenced operations in 1996.

1967

Sharikat Kim Loong Sendirian Berhad ("SKL"), holding company of Kim Loong Resources Berhad commenced business with 1,000-acre rubber plantation at Ulu Tiram, Johor. (The first planting of oil palm started in 1968).

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-second Annual General Meeting of Kim Loong Resources Berhad will be held at the Diamond 3, Level 10, Holiday Villa Johor Bahru City Centre, No. 260, Jalan Dato' Sulaiman, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Tuesday, 25 July 2017 at 10.30 a.m. for the following purposes:-

AGENDA

As Ordinary Business

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 January 2017 together with the Auditors' Report thereon. **(Ordinary Resolution 1)**

2. To declare a final single tier dividend of 8 sen per share in respect of the financial year ended 31 January 2017. **(Ordinary Resolution 2)**

3. To approve the following payment to Directors -

   (a) Fees totalling RM264,000 for the financial year ended 31 January 2017. **(Ordinary Resolution 3)**

   (b) Meeting allowance of RM500 per meeting day for each Director from 1 February 2017 until the next annual general meeting of the Company. **(Ordinary Resolution 4)**

4. To re-elect the following Directors retiring in accordance with Article 77 of the Articles of Association (Constitution) of the Company-

   (a) Mr. Gooi Seong Heen **(Ordinary Resolution 5)**
   (b) Mr. Gan Kim Guan **(Ordinary Resolution 6)**
   (c) Mr. Chan Weng Hoong **(Ordinary Resolution 7)**

5. To re-appoint M/s. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 8)**

As Special Business, to consider and if thought fit, to pass the following resolutions -

6. AUTHORITY TO ALLOT AND ISSUE SHARES

   "THAT subject always to the Companies Act, 2016, the Articles of Association (Constitution) of the Company and the approval of the relevant governmental/regulatory bodies, the Directors be and are hereby authorised pursuant to Section 76 of the Companies Act, 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as they may deem fit and that the Directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad provided always that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." **(Ordinary Resolution 9)**

7. PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

   "THAT subject to compliance with all applicable rules, regulations and orders made pursuant to the Companies Act, 2016 ("the Act"), the provisions of the Company's Memorandum and Articles of Association (Constitution) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, approval be and is hereby given to renew the authority for the Company to purchase its own shares through Bursa Securities, subject to the following - **(Ordinary Resolution 10)**

   (a) the maximum number of shares which may be purchased by the Company (which includes the shares already purchased and held as treasury shares) shall be 31,180,356 representing 10% of the total number of issued shares of the Company as at 21 April 2017;

(b) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the audited retained profits of the Company as at 31 January 2017 of RM18,796,451;

(c) the authority conferred by this Ordinary Resolution will be effective immediately upon the passing of this Ordinary Resolution and will expire at the conclusion of the next annual general meeting or the expiry of the period within which the next annual general meeting is required by law to be held, whichever occurs first (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting) but not so as to prejudice the completion of purchase(s) by the Company or any person before the aforesaid expiry date and in any event, in accordance with the provisions of the requirements issued by Bursa Securities or any other relevant authorities;

(d) upon completion of the purchase by the Company of its own shares, the shares shall be dealt with in the following manner -

(i) to cancel the shares so purchased; or
(ii) to retain the shares so purchased in treasury for distribution as dividend to the shareholders of the Company and/or resell through Bursa Securities and/or subsequently cancel the treasury shares and/or transfer the treasury shares for the purposes of or under an employees' share scheme or as purchase consideration; or
(iii) to retain part of the shares so purchased as treasury shares and cancel the remainder;

and in any other manner as prescribed by Section 127 of the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments as may be imposed by the relevant authorities from time to time and to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company."

8. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

"THAT Mr. Gan Kim Guan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, be retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2017." **(Ordinary Resolution 11)**

9. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the renewal of the Proposed Shareholders' Mandate for the Company and / or its subsidiaries to enter into and give effect to the category of the recurrent related party transactions of a revenue or trading nature with the related parties, as specified in Section 2.3 of the Circular to Shareholders dated 30 May 2017 provided that such transactions are made on an arm's length basis and on normal commercial terms and subject further to the following:- **(Ordinary Resolution 12)**

(a) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders; and

Notice of Annual General Meeting
(cont'd)

(b) disclosure is made in the Annual Report of the breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year based on the following information:-

(i) the type of the recurrent transactions made; and

(ii) the names of the related parties involved in each type of the recurrent transactions made and their relationship with the Company,

and such authority shall commence upon the passing of this Ordinary Resolution and shall continue to be in force until:-

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

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

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

whichever is the earlier;

AND THAT the Directors and / or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and / or authorised by this Ordinary Resolution."

10. To consider any other business for which due notice shall have been given.

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Forty-second Annual General Meeting, the final single tier dividend of 8 sen per share in respect of the financial year ended 31 January 2017 will be paid on 29 August 2017 to depositors registered in the Record of Depositors on 11 August 2017.

A depositor shall qualify for entitlement only in respect of:-

(a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 11 August 2017 in respect of ordinary transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

CHONG FOOK SIN (MACS 00681)
KAN CHEE JING (MAICSA 7019764)
CHUA YOKE BEE (MAICSA 7014578)
Company Secretaries

Petaling Jaya
30 May 2017

NOTES:

(1) A member whose name appears in the Record of Depositors as at 18 July 2017 shall be regarded as a member entitled to attend, speak and vote at the meeting.

(2) Proxy -

A member entitled to attend and vote at the meeting is entitled to appoint any person as his proxy to attend, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. To be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company not less than twenty-four (24) hours before the time set for holding the meeting or any adjournment thereof. If the appointor is a corporation, this Form must be executed under its common seal or under the hand of its attorney. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(3) Ordinary Resolution 9 -

This resolution, if approved, will give the Directors authority to issue and allot new ordinary shares up to an amount not exceeding 10% of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a general meeting, expire at the next annual general meeting.

The approval is a renewed general mandate and is sought to provide flexibility and to avoid delay and cost in convening a general meeting for such issuance of shares.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the last annual general meeting held on 28 July 2016 and which will lapse at the conclusion of the Forty-second Annual General Meeting.

Should there be a decision to issue new shares after the authority is sought, the Company will make an announcement of the actual purpose and utilization of proceeds arising from such issuance of shares.

(4) Ordinary Resolution 10 -

The detailed text on this resolution on the Proposed Renewal of Authority for Share Buy-Back is included in the Statement to Shareholders dated 30 May 2017 which is enclosed together with this Annual Report.

(5) Ordinary Resolution 11 -

Both the Nominating Committee and the Board have assessed the independence of Mr. Gan Kim Guan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, and recommended him to be retained as an Independent Non-Executive Director of the Company based on the following justifications:-

(a) He has fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Securities, and thus, he would be able to provide independent judgement, objectivity and check and balance to the Board.

(b) He performs his duties and responsibilities diligently and in the best interest of the Company without being subject to influence of the management.

(c) His in-depth knowledge of the Group's businesses and his extensive knowledge, commitment and expertise continue to provide invaluable contribution to the Board.

(d) He, having been with the Company for more than 9 years, is familiar with the Group's business operations and has devoted sufficient time and attention to his professional obligations and attended the Board and Committee meetings for an informed and balanced decision making.

(e) He is independent as he has shown great integrity and has not entered into any related party transaction with the Group.

(f) He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Group.

(6) Ordinary Resolution 12 -

The detailed text on this resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature is included in the Circular to Shareholders dated 30 May 2017 which is enclosed together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

(1) The following Directors are standing for re-election pursuant to Article 77 of the Articles of Association (Constitution) of the Company at the Forty-second Annual General Meeting -

(a) Mr. Gooi Seong Heen
(b) Mr. Gan Kim Guan
(c) Mr. Chan Weng Hoong

The profiles of the Directors standing for re-election as mentioned in paragraph above at the Forty-second Annual General Meeting are set out on pages 12 and 14 of this Annual Report.

(2) The statement relating to the general mandate for authority to issue shares is set out in the Notes to the Notice of the Forty-second Annual General Meeting on page 7 of this Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Gooi Seong Lim
Executive Chairman

Gooi Khai Chien
Alternate Director to Mr. Gooi Seong Lim

Gooi Seong Heen
Managing Director

Gooi Chuen Kang
Alternate Director to Mr. Gooi Seong Heen

Gooi Seong Chneh
Executive Director

Gooi Seong Gum
Executive Director

Gan Kim Guan
Senior Independent Non-Executive Director

Chan Weng Hoong
Independent Non-Executive Director

Cheang Kwan Chow
Independent Non-Executive Director

AUDIT COMMITTEE

Gan Kim Guan
Chairman
Chan Weng Hoong
Cheang Kwan Chow

COMPANY SECRETARIES

Chong Fook Sin (MACS 00681)
Kan Chee Jing (MAICSA 7019764)
Chua Yoke Bee (MAICSA 7014578)

REGISTERED OFFICE

Unit No. 203, 2nd Floor, Block C,
Damansara Intan,
No. 1, Jalan SS 20/27,
47400 Petaling Jaya,
Selangor Darul Ehsan.
Tel : 03 7118 2688
Fax : 03 7118 2693

REGISTRAR

Tacs Corporate Services Sdn. Bhd.
(231621-U)
Unit No. 203, 2nd Floor, Block C,
Damansara Intan,
No. 1, Jalan SS20/27,
47400 Petaling Jaya,
Selangor Darul Ehsan.
Tel : 03 7118 2688
Fax : 03 7118 2693

AUDITORS

Ernst & Young (Firm No. AF 0039)
Suite 11.2, Level 11, Menara Pelangi,
2, Jalan Kuning, Taman Pelangi,
80400 Jalan Bahru,
Johor Darul Takzim.

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad (295400-W)
HSBC Bank Malaysia Berhad (127776-V)
Malayan Banking Berhad (3813-K)
Public Bank Berhad (6463-H)
AmBank (M) Berhad (8515-D)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Short Name : KMLOONG
Stock Code : 5027

BOARD OF DIRECTORS

1. **Gooi Seong Lim** (Executive Chairman)
2. **Gooi Seong Heen** (Managing Director)
3. **Gooi Seong Chneh** (Executive Director)
4. **Gooi Seong Gum** (Executive Director)
5. **Gan Kim Guan** (Senior Independent Non-Executive Director)
6. **Chan Weng Hoong** (Independent Non-Executive Director)

Board of Directors
(cont'd)

7. **Cheang Kwan Chow** (Independent Non-Executive Director)

8 **Gooi Chuen Kang** (Alternate Director to Mr. Gooi Seong Heen)

9. **Gooi Khai Chien** (Alternate Director to Mr. Gooi Seong Lim)

10. **Chong Fook Sin** (Company Secretary)

11. **Chua Yoke Bee** (Company Secretary)

12. **Kan Chee Jing** (Company Secretary)

PROFILE OF DIRECTORS

GOOI SEONG LIM
EXECUTIVE CHAIRMAN

Gooi Seong Lim, Male, aged 68, a Malaysian, was appointed to the Board of Kim Loong Resources Berhad ("KLR") as an Executive Director on 28 February 1990. He was a Managing Director up to 30 March 2006 before redesignation as the Executive Chairman of KLR. He is also a member of the Remuneration Committee with effect from 27 March 2002. He graduated from the University of Toronto, Canada, with a Bachelor of Applied Science degree in Mechanical Engineering in 1972 and a Master's degree in Mechanical Engineering in 1975. From 1972 to 1975, he was an engineer of Spar Aerospace Ltd, an engineering company based in Toronto, Canada, specialising in the design and computer simulations of Canadian Communication Satellite and subsequently, with Atomic Energy of Canada Ltd based in Toronto, Canada, a quasi-government company specialising in the design of Canadian nuclear reactors. From 1975 until to-date, he has been the Managing Director of Sharikat Kim Loong Sendirian Berhad ("SKL"), a company which owns a controlling stake in KLR and Crescendo Corporation Berhad ("CCB"). CCB is a public company listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). Since 1977, he has been a director of Kim Loong Palm Oil Sdn. Bhd. ("KLPO") which is involved in palm oil milling. The success of the Group owes much to his extensive involvement in plantation and milling operations. He also sits on the Board of CCB and several other private companies.

Mr Gooi has no personal interest in any business arrangement involving KLR, except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of his directorship and shareholding in SKL. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2017. He attended all the five (5) Board meetings held during the financial year 2017.

GOOI SEONG HEEN
MANAGING DIRECTOR

Gooi Seong Heen, Male, aged 66, a Malaysian, was appointed to the Board of KLR as an Executive Director on 28 February 1990. He was redesignated as Managing Director on 30 March 2006. He graduated with a Bachelor of Applied Science degree in Chemical Engineering from the University of Toronto in 1972 and obtained a Master's degree in Business Administration from the University of Western Ontario, Canada in 1976. He served as an engineer with Esso Singapore Pte Ltd from 1973 to 1974. His experience embraces oil palm and rubber estate management, palm oil mill management and property development. From 1972, he has been a Director of SKL, a company which owns a controlling stake in KLR and CCB. Since 1977, he has been a director of KLPO Group which is involved in palm oil milling. He is currently also a director of CCB and several other private companies.

Mr Gooi has no personal interest in any business arrangement involving KLR, except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of his directorship and shareholding in SKL. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2017. He attended all the five (5) Board meetings held during the financial year 2017.

Profile of Directors
(cont'd)

Gooi Seong Chneh, Male, aged 62, a Malaysian, was appointed to the Board of KLR on 28 February 1990. He is currently an Executive Director of KLR. He graduated with a Bachelor of Science degree from the University of Toronto, Canada in 1975 and obtained a Bachelor's degree in Civil Engineering from the University of Ottawa, Canada in 1980. He is a member of the Professional Engineers Association of Alberta, Canada. He was formerly a consultant with Campbell Engineering and Associates, Calgary, Canada for three (3) years from 1981 to 1983. He has extensive experience in construction site management and property development. His experience also includes oil palm and cocoa estate management. From 1976, he has been a Director of SKL, a company which owns a controlling stake in KLR and CCB. He has been responsible for the development and management of oil palm and cocoa estates in Johor, Sabah and Sarawak since 1985. He is also a director of CCB and several other private companies.

Mr Gooi has no personal interest in any business arrangement involving KLR, except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of his directorship and shareholding in SKL. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2017. He attended four (4) out of five (5) Board meetings held during the financial year 2017.

GOOI SEONG CHNEH
EXECUTIVE DIRECTOR

Gooi Seong Gum, Male, aged 61, a Malaysian, was appointed to the Board of KLR on 28 February 1990. He is currently an Executive Director of KLR. He graduated with a Bachelor's degree in Civil Engineering from the University of Ottawa, Canada in 1980. He was an engineering consultant for Bobrowski & Partners, Calgary, Canada for one (1) year from 1982 to 1983. His experience covers oil palm and rubber estate management, property development and construction site management. From 1980, he has been a Director of SKL, a company which owns a controlling stake in KLR and CCB. Since 1983, he has been a director of KLPO Group which is involved in palm oil milling. He currently sits on the Board of CCB and several other private companies.

Mr Gooi has no personal interest in any business arrangement involving KLR, except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of his directorship and shareholding in SKL. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2017. He attended all the five (5) Board meetings held during the financial year 2017.

GOOI SEONG GUM
EXECUTIVE DIRECTOR

Profile of Directors
(cont'd)

GAN KIM GUAN
SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR

Gan Kim Guan, Male, aged 54, a Malaysian, was appointed to the Board of KLR as an Independent Non-executive Director on 28 March 2001. He is currently the Senior Independent Non-executive Director of KLR. He was appointed as a member of the Audit Committee on 28 March 2001 and currently, he is the Chairman of the Audit Committee. He also sits as a member of both the Nominating and Remuneration Committees with effect from 27 March 2002. He was appointed as the Chairman of the Nominating Committee and Remuneration Committee with effect from 31 December 2012 and 28 March 2013 respectively. He is a Chartered Accountant and has experience in accounting and financing related work. He is also a director of CCB.

Mr Gan is a Chartered Accountant of the Malaysian Institute of Accountants. He has no personal interest in any business arrangement involving KLR. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2017. He attended all the five (5) Board meetings held during the financial year 2017.

CHAN WENG HOONG
INDEPENDENT NON-EXECUTIVE
DIRECTOR

Chan Weng Hoong, Male, aged 68, a Malaysian, was appointed to the Board of KLR as an Independent Non-executive Director on 24 March 2011. He is a member of the Audit Committee of KLR with effect from 24 March 2011. He also sits as a member of both the Nominating and Remuneration Committees with effect from 24 March 2011. He graduated with a Bachelor of Agricultural Science (Hon) from the University of Malaya in 1973. Since graduation, he has worked as an agronomist throughout his career. He retired from Applied Agricultural Resources Sdn. Bhd. (AARSB) in 2004 as Principal Research Officer and Head of Oil palm and Rubber Advisory Divisions and was on job extension as Agronomist/Consultant Agronomist until March 2015 when he fully retired from AARSB. He is well versed in both rubber and oil palm and continues to visit some estates in Malaysia and Indonesia. He has presented or published numerous papers on rubber at national and international conferences.

Mr Chan has no personal interest in any business arrangement involving KLR. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2017. He attended all the five (5) Board meetings held during the financial year 2017.

Profile of Directors
(cont'd)

Cheang Kwan Chow, Male, aged 64, a Malaysian, was appointed to the Board of KLR as an Independent Non-executive Director on 20 October 2011. He is a member of the Audit Committee of KLR with effect from 20 October 2011. He also sits as a member of both the Nominating and Remuneration Committees with effect from 20 October 2011. He has a Diploma in Marketing from Redditch College, Worcestershire, England and a Postgraduate Diploma in Export Marketing and Diploma in Export from Buckinghamshire College, Buckinghamshire, England. He graduated with a Master of Arts Communications Management from University of South Australia. He joined the Kuok Group of companies in 1980 and had over the years, held various senior management positions in various companies within the Kuok Group. He was appointed as Deputy Managing Director of PGEO Group Sdn. Bhd. and PGEO Marketing Sdn. Bhd in July 2002, the position which he held until December 2007. He also sat on the board of PPB Group Berhad until May 2011. He is currently a Member of the Chartered Institute of Arbitrators, London, United Kingdom and sits on the Panel of Arbitrators of the Palm Oil Refiners Association of Malaysia.

Mr Cheang has no personal interest in any business arrangement involving KLR. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2017. He attended all the five (5) Board meetings held during the financial year 2017.

CHEANG KWAN CHOW
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Gooi Khai Chien, Male, aged 25, a Malaysian, was appointed to the Board of KLR as Alternate Director to Mr. Gooi Seong Lim on 31 March 2016. He graduated with a Bachelor's Degree in Chemical Engineering in 2014 and a Master's Degree in Investments and Wealth Management in 2015. Since 2016, he has been involved in the business operations of KLR Group.

Mr Gooi has no personal interest in any business arrangement involving KLR except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of being a person connected to Mr. Gooi Seong Lim. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

GOOI KHAI CHIEN
ALTERNATE DIRECTOR TO
MR. GOOI SEONG LIM

Profile of Directors
(cont'd)

GOOI CHUEN KANG
ALTERNATE DIRECTOR TO
MR. GOOI SEONG HEEN

Gooi Chuen Kang, Male, aged 31, a Malaysian, was appointed to the Board of KLR as Alternate Director to Mr. Gooi Seong Heen on 31 March 2016. He is currently the Plantation Director of KLR. He graduated with a Bachelor of Engineering (Chemical and Biomolecular Engineering) from the University of Melbourne in 2008. He worked as an analyst attached with Accenture Kuala Lumpur from 2010 to 2014. Since then, he has been involved in the business operations of KLR Group.

Mr Gooi has no personal interest in any business arrangement involving KLR except that he is deemed interested in the transactions entered into with SKL Group (excluding KLR) which are carried out in the ordinary course of business, by virtue of being a person connected to Mr. Gooi Seong Heen. He has not been convicted of any offences within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

Family Relationships

Gooi Seong Lim, Gooi Seong Heen, Gooi Seong Chneh and Gooi Seong Gum are brothers.

Gooi Seong Lim is father of Gooi Khai Chien.

Gooi Seong Heen is father of Gooi Chuen Kang.

Save for the above, none of the other Directors are related.

PROFILE OF KEY SENIOR MANAGEMENT

The executive function in the Group is spearheaded by the Executive Chairman and Managing Director, namely Mr. Gooi Seong Lim and Mr. Gooi Seong Heen, whose profiles are included under the section on Directors' profile on pages 12 of this Annual Report. The following Directors assist them with day to day running of the various operations of the Group.

Mr. Gooi Seong Chneh - Executive Director
(Profile on Page 13 of this Annual Report)

Mr. Gooi Seong Gum - Executive Director
(Profile on Page 13 of this Annual Report)

Mr. Gooi Chuen Kang - Plantation Director
(Profile on Page 16 of this Annual Report)

The profiles of the other Key Senior Management members are set out below:

Chow Kok Hiang, Male, aged 50, a Malaysian, is currently the Finance Director of KLR and has vast experience in the Audit and Business Advisory Services, having served as Assistant Manager of Price Waterhouse (Currently known as PricewaterhouseCoopers) before joining Crescendo Corporation Berhad in 1997 as Group Accountant. He was transferred to KLR in 1999 to head the Finance Department of KLR Group. Mr Chow is a Chartered Accountant with the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. He also sits on the board of several private companies involved in property development, construction, educational services, trading and manufacturing.

Mr. Chow has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company. He has no conviction for any offences within the past 5 years and has no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2017.

CHOW KOK HIANG
FINANCE DIRECTOR

Chang Chee Chiong, Male, aged 55, a Malaysian, is currently the General Manager of KLR in charge of the Group's estates in Sabah and Sarawak. He obtained the Licentiate Diploma from the Incorporated of Society Planters and with more than 30 years of working experience, he has vast experience in oil palm cultivation and plantation management. He was in the position of Deputy General Manager since 2010 before being promoted to the position of General Manager in 2014.

Mr. Chang has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company. He has no conviction for any offences within the past 5 years and has no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2017.

CHANG CHEE CHIONG
GENERAL MANAGER

Profile of Key Senior Management
(cont'd)

CHANG CHOW SWAN
GENERAL MANAGER

Chang Chow Swan, Male, aged 63, a Malaysian, is currently the General Manager of Kim Loong Palm Oil Mills Sdn. Bhd. ("KLPOM"), a subsidiary of KLR. He graduated with a Bachelor degree in Chemical Engineering from National Taiwan University in 1978. A First Grade Steam Engineer with more than 38 years of hands-on experience for multiple breakthroughs in palm oil milling waste, biogas, biomass and downstream treatment. He is currently leading a group of engineers to initiate ideas to convert mill waste into higher value products, bring up KLPOM Complex as a pioneer of waste minimization in palm oil industry in Malaysia, and benefiting the milling operation of KLR Group. He is currently a member of PAC under Malaysia Palm Oil Board ("MPOB") and Committee Member of Malaysia Palm Oil Millers Association ("POMA"). Mr. Chang was promoted to the position of General Manager in 2011. He also sits on the board of two subsidiary companies of KLR Group involved in palm oil milling business.

Mr. Chang has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company. He has no conviction for any offences within the past 5 years and has no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2017.

GAN LIONG HOE
DEPUTY GENERAL MANAGER

Gan Liong Hoe, Male, aged 43, a Malaysian, is currently the Deputy General Manager of KLR. He graduated with a Bachelor of Engineering (Mechanical) from Queensland University of Technology in 1997. Mr. Gan started his career as an engineer in IOI Corporation Berhad in 1998 and later joined TSH Resources Berhad in 2001 as engineer until 2007 before joining Desa Kim Loong Palm Oil Sdn. Bhd. ("DKLPO"), a subsidiary of KLR as a Senior Mill Manager, in November 2007. He was transferred to KLR and promoted to the position of Deputy General Manager in 2013 for Group's milling operations in Sabah. Mr Gan is a First Grade Steam Engineer and Second Grade Internal Combustion Engine Engineer with the Department of Occupational Safety and Health. He also sits on the board of two subsidiary companies of KLR Group involved in palm oil milling business.

Mr. Gan has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company. He has no conviction for any offences within the past 5 years and has no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year 2017.

GROUP STRUCTURE

AS AT 31 JANUARY 2017

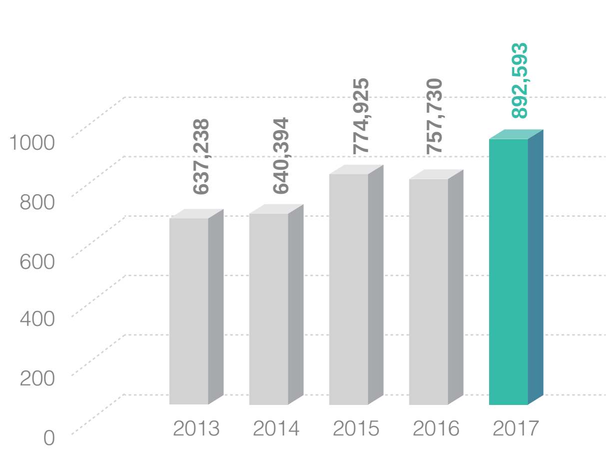
KIM LOONG RESOURCES BERHAD (22703-K)
錦隆資源有限公司

- 70% Desa Kim Loong Palm Oil Sdn. Bhd. (463620-W)
  - 100% Desa Kim Loong Industries Sdn. Bhd. (504278-K)
  - 100% Kim Loong Technologies (Sabah) Sdn. Bhd. (824331-K)
- 100% Kim Loong Palm Oil Sdn. Bhd. (30999-P)
  - 100% Kim Loong Palm Oil Mills Sdn. Bhd. (267654-P)
    - 98% Sungkit Enterprise Sdn. Bhd. (85011-K)
    - 100% Kim Loong Evergrow Sdn. Bhd. (487153-H)
    - 75% Kim Loong Biomass Sdn. Bhd. (1070717-D)
- 70% Palm Nutraceuticals Sdn. Bhd. (651470-H)
- 90% Winsome Yields Sdn. Bhd. (401571-W)
  - 68% Winsome Al-Yatama Sdn. Bhd. (667441-P)
- 100% Okidville Holdings Sdn. Bhd. (458944-P)
  - 51% Desa Okidville Sdn. Bhd. (463619-U)
- 100% Kim Loong Sabah Mills Sdn. Bhd. (254996-D)
- 100% Kim Loong Power Sdn. Bhd. (588578-H)
- 100% Kim Loong Technologies Sdn. Bhd. (667439-M)
- 70% Kim Loong - KPD Plantations Sdn. Bhd. (416387-H)
- 100% Suhenson Estate Sdn. Bhd. (48091-V)
- 100% Tyeco Corporation Sdn. Bhd. (478277-W)
- 100% Sepulut Plantations Sdn. Bhd. (716972-U)
- 100% Selokan Sdn. Bhd. (47569-V)
- 100% Kim Loong Corporation Sdn. Bhd. (458947-T)
  - 60% Winsome Pelita (Pantu) Sdn. Bhd. (681469-H)
- 100% Okidville Jaya Sdn. Bhd. (686109-W)
- 100% Winsome Sarawak Plantations Sdn. Bhd. (653800-A)
- 95% Okidville Plantations Sdn. Bhd. (466683-V)
  - 100% Okidville Resources Sdn. Bhd. (43447-H)
  - 70% Winsome Jaya Sdn. Bhd. (605466-U)
- 100% Winsome Plantations Sdn. Bhd. (510158-W)
  - 70% Winsome Pelita (Kranggas) Sdn. Bhd. (1069444-H)

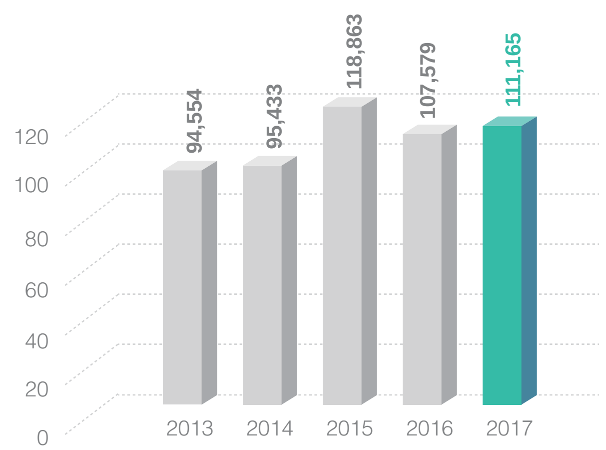
GROUP FINANCIAL HIGHLIGHTS

STATEMENT OF COMPREHENSIVE INCOME (RM'000)

Revenue

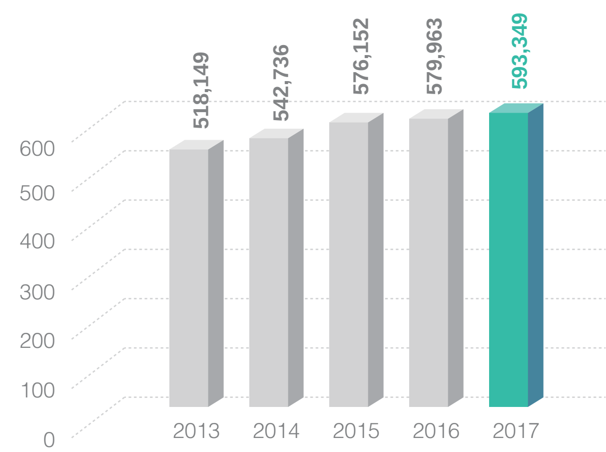


Profit Before Tax

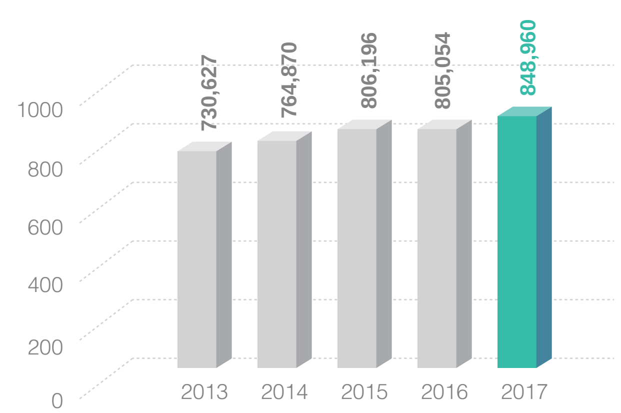


STATEMENT OF FINANCIAL POSITION (RM'000)

Equity Attributable To Owners Of The Company

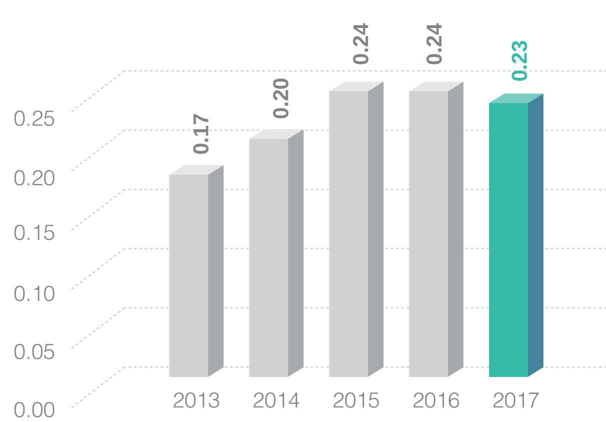


Total Assets

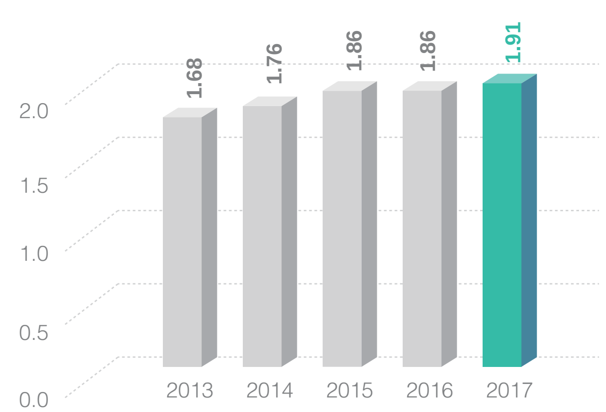


PER SHARE (RM)

Earnings



Net Assets



Group Financial Highlights
(cont'd)

	2013	2014	2015	2016	2017
STATEMENT OF COMPREHENSIVE INCOME (RM'000)					
Revenue	637,238	640,394	774,925	757,730	892,593
EBITDA	124,679	122,815	149,031	137,778	143,431
Profit before tax	94,554	95,433	118,863	107,579	111,165
Profit after tax	68,520	73,359	89,689	85,664	85,688
Net profit attributable to owners of the Company	53,944	61,059	75,279	73,783	71,118
STATEMENT OF FINANCIAL POSITION (RM'000)					
Paid-up share capital	308,667	308,958	311,109	311,804	311,804
Total shareholders' equity	595,659	618,271	650,021	654,213	673,446
Equity attributable to owners of the Company	518,149	542,736	576,152	579,963	593,349
Total assets	730,627	764,870	806,196	805,054	848,960
PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)					
Earnings	0.17	0.20	0.24	0.24	0.23
Net Assets	1.68	1.76	1.86	1.86	1.91
Gross Dividend	0.12	0.13	0.13	0.23	0.20
Share Price at Year End	2.21	2.58	2.76	3.04	3.43
Weighted Average Number of Share in Issue ('000)	308,188	308,577	309,688	311,161	311,202
FINANCIAL INDICATORS					
Return on Equity (%)	11.50	11.87	13.80	13.09	12.72
Return on Total Assets (%)	9.38	9.59	11.12	10.64	10.09
Gearing Ratio (times)	0.07	0.08	0.08	0.07	0.05
Price-Earnings Ratio (times)	13.00	12.90	11.50	12.67	14.91
Interest Coverage Ratio (times)	47.76	42.96	51.63	47.88	60.75
Gross Dividend Yield (%)	5.43	5.04	4.71	7.57	5.83

STATISTICS

	2013	2014	2015	2016	2017
PLANTATIONS					
Plantation Area (Ha)					
Oil palm					
Mature	12,827	13,012	13,581	13,794	14,256
Immature	1,523	1,874	1,320	1,172	700
Unplanted land	732	468	461	411	408
	15,082	15,354	15,362	15,377	15,364
Cocoa and others	89	-	-	-	-
Total plantable area	15,171	15,354	15,362	15,377	15,364
Infrastructure and unplantable land	607	574	548	528	555
Total land area	15,778	15,928	15,910	15,905	15,919
Production (MT)					
Fresh fruit bunches ("FFB")	280,365	287,188	304,732	299,455	251,926
Yield per mature hectare	21.84	22.07	22.49	21.56	17.66
MILLS					
Production and Extraction Rate					
Crude palm oil ("CPO") (MT)	208,002	225,224	264,983	297,231	250,197
Oil extraction rate (% of FFB)	22.09	22.19	22.39	22.28	21.67
Palm kernel ("PK") (MT)	48,134	52,101	60,245	66,931	56,689
Kernel extraction rate (% of FFB)	5.11	5.13	5.09	5.02	4.91
AVERAGE SELLING PRICE [RM/MT]					
CPO	2,723	2,345	2,352	2,139	2,682
PK	1,456	1,376	1,673	1,587	2,638

CHAIRMAN'S STATEMENT

"On behalf of the Board of Directors of Kim Loong Resources Berhad ("KLR"), I am pleased to present to you the Annual Report and Audited Financial Statements for the financial year ended 31 January 2017."

FINANCIAL HIGHLIGHTS

RESULTS

The revenue and profit before tax ("PBT") of the Group were RM892.53 million and RM111.16 million respectively for the financial year 2017 ("FY2017") compared to RM757.73 million and RM107.58 million respectively for the financial year 2016 ("FY2016").

Current year's higher revenue and PBT were due to higher Palm Oil prices compared to the last financial year despite a drop in production. The plantation operation performed well with a 41% increase in profit and is the major profit contributor to the Group in FY2017. The milling operations recorded a 24% drop in profit mainly due to lower oil extraction rate ("OER") and kernel extraction rate ("KER") as well as lower FFB intake arising from competition for crop due to low FFB production during the year. Low FFB production was likely caused by the El-Nino phenomenon.

DIVIDEND

The Board has recommended a final single tier dividend of 8 sen per share (FY2016: 6 sen per share) for the FY2017 making a total single tier dividend of 20 sen per share (FY2016: 23 sen per share).

The dividend payout represents approximately 88% of the annual profit attributable to owners of the Company.

The Group has achieved a Return on Equity (after tax) of 12.7% compared to 13.1% in FY2016.

DEVELOPMENT AND PROSPECTS

We have planned to supply power to the grid and have also submitted our applications for sale of electricity generated from biogas engine systems to relevant authorities. Currently, we have obtained Sustainable Energy Development Authority ("SEDA") approval for 1.8 megawatt for Kota Tinggi mill and 2.0 megawatt for Keningau mill. Furthermore, our Group has entered into an agreement with Tenaga Nasional Berhad ("TNB") in December 2015 in respect of power supply to the grid from our Kota Tinggi mill with target commissioning by third quarter of 2017.

The Group will continue its replanting programme to replant the old palms which are unable to meet the expectation of high FFB yield. We expect to replant 1,127 Ha in financial year 2018 ("FY2018").

The Group has also been sourcing for additional plantation land in Johor, Pahang, Sabah and Sarawak. However, Roundtable on Sustainable Palm Oil ("RSPO") restrictions is a major constraint. To support our plantation operation in Sarawak, we have been actively looking into the possibility of setting up a palm oil mill in Sarawak.

For the financial year ending 31 January 2018, we foresee an increase in FFB production from young mature areas and strong FFB yield recovery in Keningau region where about 50% of Group's planted mature area is located. We expect the Group's FFB production to be potentially 20% higher comparing the quantity achieved in the financial year 2017. In term of CPO production, despite stiff competition from surrounding mills, we target to achieve FFB intake of 1.20 million MT which is slightly higher than 1.15 million MT achieved in the financial year 2017. Subject to the fluctuation in the Ringgit currency and volatility of commodity market, we expect the prospect of CPO price to be positive and good. Based on the above, we expect the Group's performance for the financial year 2018 to be satisfactory.

APPRECIATION

I would like to take this opportunity to express my appreciation to the management and staff for their loyal and dedicated services to the Group, and to various government authorities and agencies, bankers, valued customers, suppliers and business associates for their co-operation and continued support.

Finally, I wish to thank my fellow Board members for their support and the shareholders for their confidence in the Board and Management of the Group.

Gooi Seong Lim

Executive Chairman
Johor Bahru, Johor

Date: 22 May 2017

MANAGEMENT DISCUSSION & ANALYSIS

DESCRIPTION OF OUR GROUP'S BUSINESS AND STRATEGIES

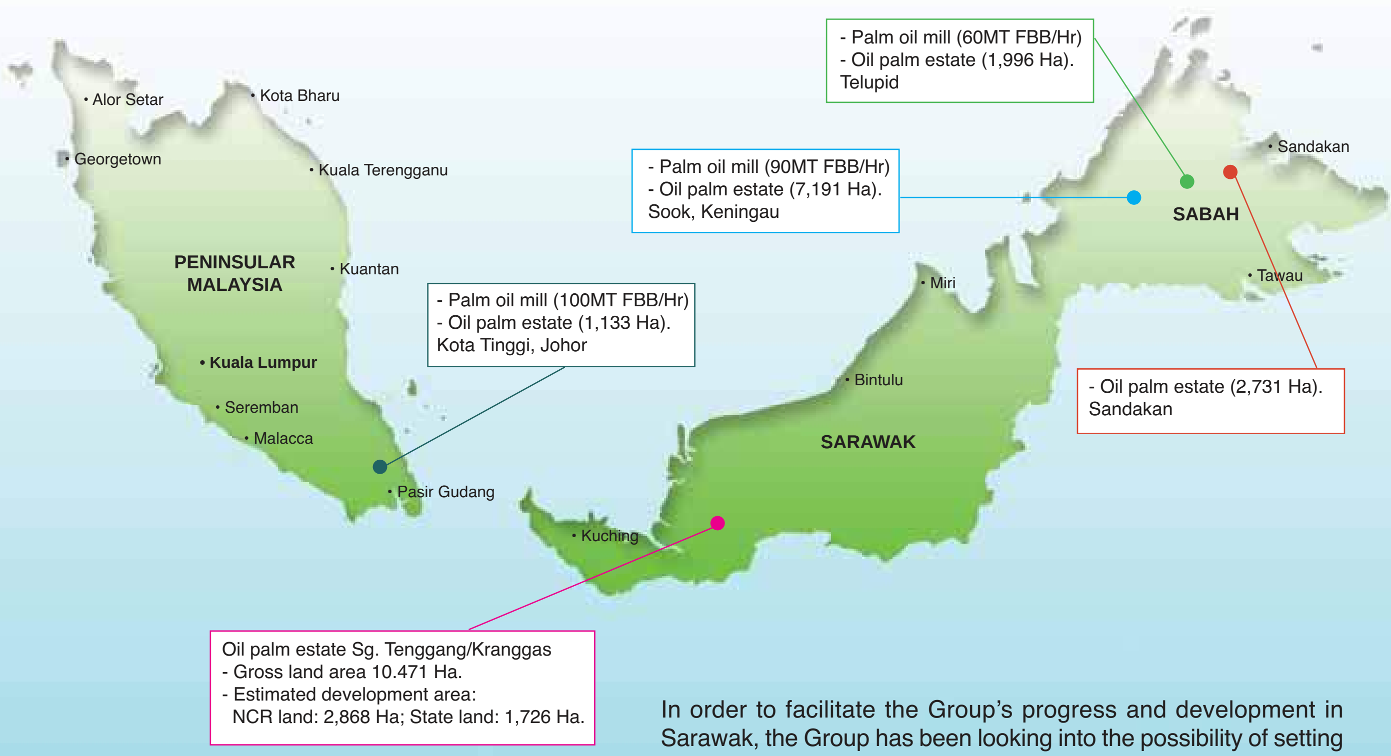
Kim Loong Resources Berhad and its subsidiaries (the "Group" or "KLRB Group") are principally involved in investment holding, cultivation of oil palm, processing of oil palm fresh fruit bunches and marketing of oil palm products, processing of oil palm fibre and biogas and power generation.

The principal activities of the Group can be divided into two main segments, namely plantation operations and milling operations.

As at 31 January 2017, the Group's total plantation land holdings stood at 15,919 hectares ("Ha") of which 94% are fully planted with oil palms. Out of the total planted area, approximately 83% are mature above 6 years old, 12% are young mature below 6 years old while the remaining 5% are at immature stage. The plantations are located in the states of Johor, Sabah and Sarawak for expansion.

The Group also owns and operates three (3) palm oil mills which are strategically located within the vicinity of our plantations in Kota Tinggi, Johor and in Keningau and Telupid, Sabah. The palm oil mills have a total FFB processing capacity of 1.5 million MT per annum.

Locations of operations



In order to facilitate the Group's progress and development in Sarawak, the Group has been looking into the possibility of setting up a palm oil mill in Sarawak and will continue to source for additional plantation land in Johor, Pahang, Sabah and Sarawak for expansion.

The Group remains committed in its effort to improve efficiency and at the same time generate income from palm oil mill wastes through new innovation and technology.

FINANCIAL REVIEW

Revenue

The revenue of the Group were RM892.59 million for the financial year 2017 ("FY2017") compared to RM757.73 million recorded for the financial year 2016 ("FY2016").

Current year's higher revenue was primarily attributable to higher Crude Palm Oil ("CPO") and Palm Kernel ("PK") prices compared to the last financial year. Before inter-segments adjustments and eliminations, revenue from plantation operations has improved by 15% whilst the milling operations achieved 18% additional revenue compared to the last financial year, despite drops in CPO and Fresh Fruit Bunches ("FFB") production by 16%.

The average selling price and production for CPO, PK and FFB for FY2017 and FY 2016 of the Group are as follows:

Average selling price per metric ton ("MT"):-

	FY2017 (RM)	FY2016 (RM)	Change (%)
CPO	2,682	2,139	25.39%
PK	2,638	1,587	66.23%
FFB	569	417	36.45%

Sales quantity:-

Main palm oil milling products:	FY2017 (MT)	FY2016 (MT)	Change (%)
CPO	263,699	289,601	(8.94%)
PK	52,846	63,665	(16.99%)
Plantation produce:			
FFB :			
to own mills	205,040	246,768	(16.91%)
to external parties	46,886	52,687	(11.01%)
Total	251,926	299,455	(15.87%)

Other Income

Other income for the year increased by RM2.65 million to RM12.55 million as compared to FY2016 and consist mainly of interest income which was 71% (2016 : 88%). The increase of 27% or RM2.65 million was mainly contributed by gain on derivatives of RM1.23 million and gain on compulsory acquisition of land of RM0.32 million.

Cost of Sales

Generally, the production of major products by the Group during the year has dropped by about 16% as tabulated below:-

	FY2017 (MT)	FY2016 (MT)	Change (%)
CPO	250,197	297,231	(15.82%)
PK	56,689	66,931	(15.30%)
FFB	251,926	299,455	(15.87%)

In order to meet sales contracts committed, the Group has purchased 6,200 MT of CPO from external parties at prevailing market price during the year.

Despite lower production from both plantation and milling operations, the cost of sales increased by 22% or RM135.54 million to RM755.22 million, mainly due to:

(i) higher purchase cost for FFB arising from higher CPO and PK prices;
(ii) competition from other mills for supply of FFB; and
(iii) general increase in cost of doing business.

Unit Cost of Production of CPO

The cost of production (excluding raw materials) of CPO has increased by 25% to RM230 per MT of CPO. The total cost of production of CPO has also increased by 21% to RM1,460 per MT of CPO. The increases were mainly due to:

(i) lower oil extraction rate ("OER") and production of FFB; and
(ii) increase in operating cost such as higher labour cost as a result of revision of minimum wages which took place in July 2016.

Finance Cost

Finance cost recognized in profit or loss has increased by 40% or RM0.42 million to RM1.47 million as compared to FY2016. That was mainly due to less interest expense capitalised in biological assets in FY2017 which was only RM0.38 million as compared to RM1.20 million in FY2016 because more immature areas have been declared as mature during the current financial year.

Management Discussion & Analysis
(cont'd)

Profit before Tax ("PBT")

The Group's PBT of RM111.16 million for the FY2017 was slightly higher than RM107.58 million for the FY2016.

Despite drops in production of FFB and CPO, the Group managed to achieve better profit mainly due to better palm oil prices. The plantation operations have performed well with a 41% increase in profit and is the major profit contributor to the Group in FY2017. On the other hand, the milling operations recorded a 24% drop in profit mainly due to lower OER and kernel extraction rate ("KER") as well as lower FFB intake arising from stiff competition for crops resulting from low FFB production during the year.

Taxation

The effective tax rate for FY2017 of 23.40% was lower than statutory tax rate. This was mainly due to utilization of tax incentive and certain income not being subject to tax.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company and earnings per share of the Group marginally decreased by 4% year-on-year to RM71.12 million and 22.85 sen respectively as compared to RM73.78 million and 23.71 sen recorded for the preceding financial year.

Cash Flows

Overall, the Group's cash and cash equivalents increased by 11% or RM24.26 million to RM237.90 million mainly due to:

(i) more cash generated from operating activities contributed by higher revenue; and
(ii) less cash used in financing activities.

Share Price Performance

Our Company's share price performance for the period from January 2016 till 16 May 2017:

Source: Bursa Malaysia

Share price has increased from RM3.04 since beginning of current financial year to the closing price at RM3.84 recorded on 16 May 2017, a notable acceleration of 26.3%.

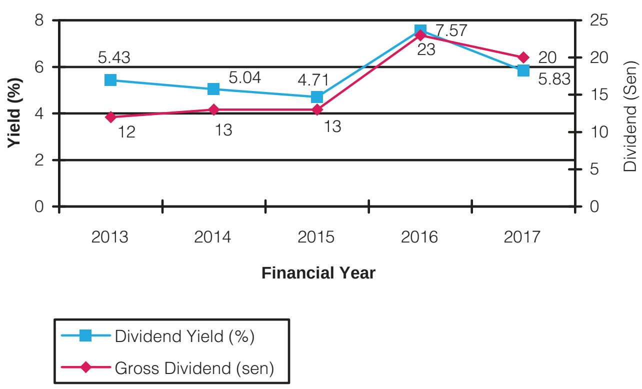
Dividend

The Board has recommended a final single tier dividend of 8 sen per share (FY2016: 6 sen per share) for the FY2017 making a total single tier dividend of 20 sen per share (FY2016: 23 sen per share).

The payout represents approximately 88% of the annual profit attributable to owners of the Company.

Out of the 20 sen dividend declared for the FY2017, the first interim and special dividends of 7 sen and 5 sen respectively were paid on 21 November 2016 and 15 February 2017 respectively.

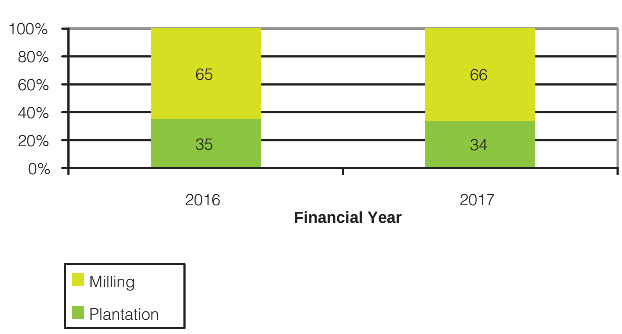
In the past five (5) years, the Group has achieved gross dividend yields that are more attractive than return from conventional deposits with bank.



CAPITAL EXPENDITURE

The Group spent RM23.21 million for capital expenditure for FY2017 as compared to RM37.22 million for FY2016. The drop in spending on capital expenditure was mainly due to more planted immature areas becoming mature under the plantations operations as well as less capital expenditure requirements from the milling operations during the current financial year.

Allocation of Capital Expenditure



REVIEW OF OPERATING ACTIVITIES

PALM OIL MILLING OPERATIONS

The profit from the palm oil milling operations decreased by 24% or RM13.48 million to RM43.78 million as compared to RM57.26 million recorded for the last financial year. The lower profit was due to lower processing quantity and margin as compared to the last financial year.

Lower processing margin was mainly caused by lower OER and KER as well as lower FFB intake arising from stiff competition for crops resulting from low FFB production during the year. Lower FFB production suffered by the plantation industry is evidenced by a year-on-year drop of 13.9% in national FFB yield as published by MPOB.

Total CPO production for the year under review was 250,197 MT, which was about 16% lower than 297,231 MT recorded in the last financial year. As a result of low production, the market condition and demand for the Group's main milling products has been good and steady for the financial year. Due to lower processing quantity, the sale of CPO, the main product, also decreased by 9% to 263,699 MT compared to 289,601 MT in the last financial year.

The average selling price of CPO of the Group for the current financial year was in the region of RM2,700 per MT which was about 25% higher compared to the last financial year. The Peninsular Malaysia monthly average CPO and PK prices have surged by 40% and 51% respectively since August 2016 and recorded at the highest, during the financial year, of RM3,275 and RM3,660 per MT respectively in January 2017 as the effect of drought in 2015 has caused drop in FFB production, affecting the palm oil and palm kernel supplies.

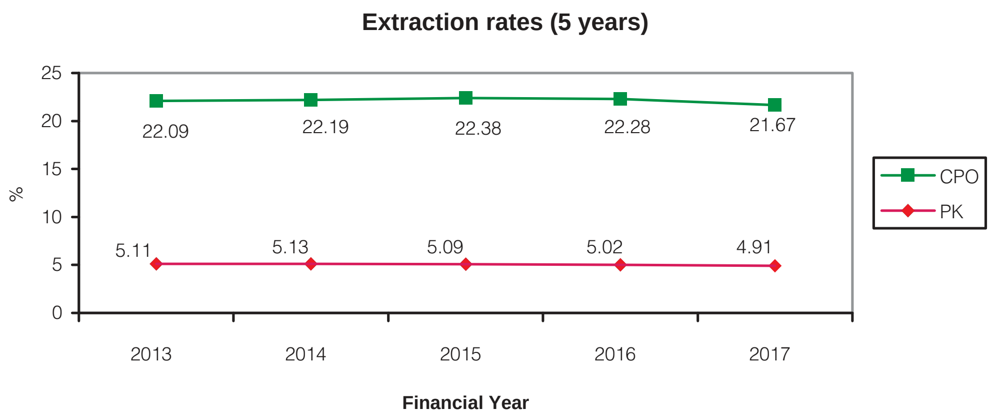
The extraction rate for CPO and PK for FY2017 and FY 2016 can be analysed as follow:

	FY2017	FY2016	Change (%)
CPO:			
KLRB Group CPO extraction rate (%)	21.67	22.28	(2.74%)
Malaysia National CPO extraction rate* (%)	20.18	20.46	(1.37%)
PK:			
KLRB Group PK extraction rate (%)	4.91	5.02	(2.19%)
Malaysia National PK extraction rate* (%)	4.88	5.04	(3.17%)

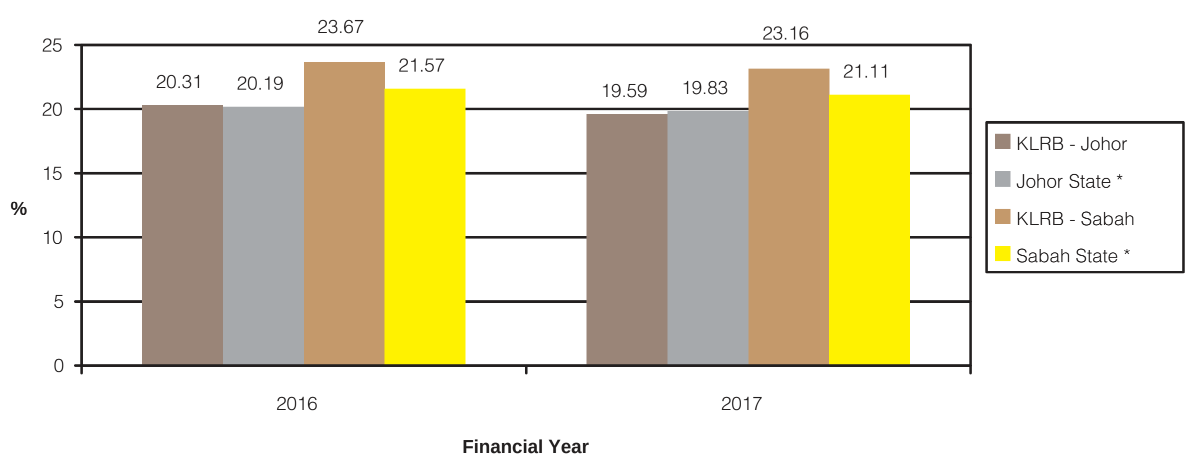
* *The statistics for Malaysia National CPO and PK extraction rates are extracted from MPOB web-site based on calendar year 2016 and 2015 whilst the figures from KLRB Group are based on its financial year (Feb-Jan).*

Management Discussion & Analysis
(cont'd)

The Group's performance in terms of extraction rates is broadly in line with the Malaysia National trend showing a marginal drop comparing to the previous year. The extraction rates performance of the Group's milling operations have not varied significantly for the past five (5) years as shown below:



To further zoom in operations by State, the CPO extraction rate performance of mills within our Group has outperformed Sabah State average while it is very close to Johor State for the past two years as tabulated below:



- *The statistics for Johor and Sabah State CPO extraction rates are extracted from MPOB web-site based on calendar year 2016 and 2015 whilst the figures from KLRB Group are based on its financial year (Feb - Jan).*

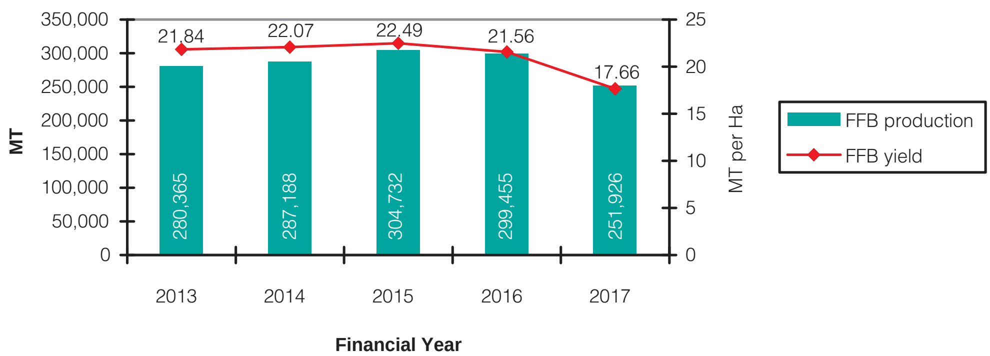
Currently, all our three (3) palm oil mills have methane capturing facilities to reduce greenhouse gas emission into the atmosphere. With the project of capturing methane gas implemented, the Group has successfully commissioned the utilisation of the biogas in gas engines with total installed capacity of 3.5 megawatts to support the power needs by operations and together with better efficiency boiler/turbine, and thus reduced the usage of diesel by gen-set at mills by at least 60% and also reduced the burning of palm kernel shells.

Furthermore, we have obtained approval from the Sustainable Energy Development Authority ("SEDA") to supply a total of 3.8 megawatts to the grid from our mills at Kota Tinggi, Johor and Keningau, Sabah. Currently, the projects are in the process of being implemented and expected to bring in additional revenue to the Group upon successful implementation.

PLANTATION OPERATIONS

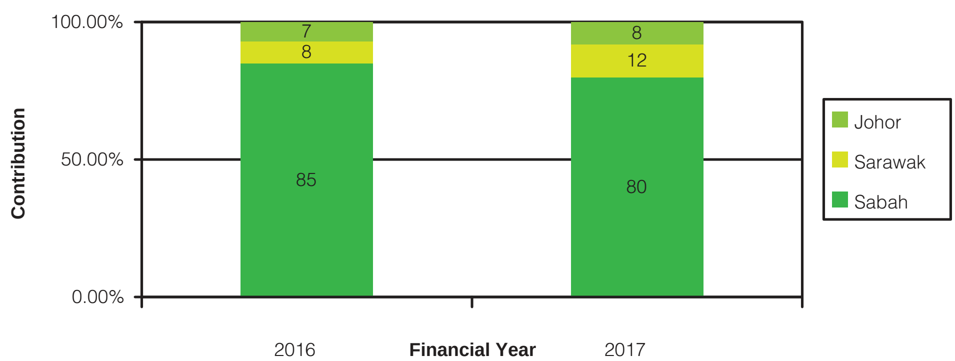
The profit from the plantation operations increased by 41% or RM19.08 million to RM65.97 million as compared to RM46.89 million recorded for the last financial year. The increase in profit was mainly due to better FFB price. The FFB production for the year under review was 251,926 MT which was 16% lower than 299,455 MT achieved in the last financial year. The 16% decrease in the FFB production was mainly due to the effects of El-Nino which adversely affected our Sabah estates. The plantation operations did not face problems in selling its FFB production as most of the produce was supplied to mills within the Group. Average FFB selling price was 36% higher compared to the last financial year. Tabulated below is the Group's FFB production and yield per Ha for the past five (5) years:

FFB Production and Yield (5 years)

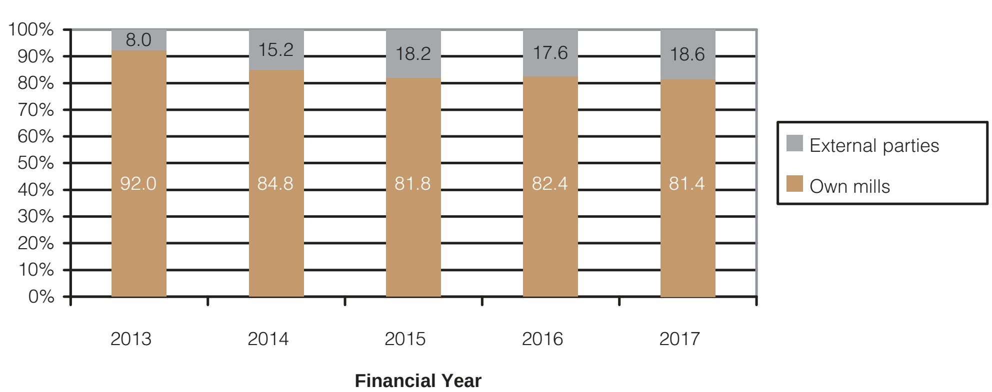


Most of the FFB produce is supplied to our own mills located nearby the estates while the FFB produce from our estates in Sarawak has to be sold to third party mill as we do not have a palm oil mill in Sarawak at the moment. Analysis of production and sales of FFB is tabulated below:

Group's FFB production by estates location (by State)



Sales of FFB



FFB production of the Group's estates in Sabah and Johor have dropped. However, the performance of estates in Sarawak has improved by 25% in terms of production as these estates mainly consist of young mature palms which offer strong growth in productivity.

Our average oil yield per Ha for Sabah estates has decreased to 4.24 MT per Ha in FY2017 compared to 5.38 MT per Ha in FY2016 mainly due to a drop of about 21% drop in FFB production which was mainly due to adverse effects of El-Nino and increase in young mature area with lower production yield compared to prime mature area. Our overall Group average oil yield has also dropped to 3.98 MT per Ha compared to 4.99 MT per Ha in FY2016.

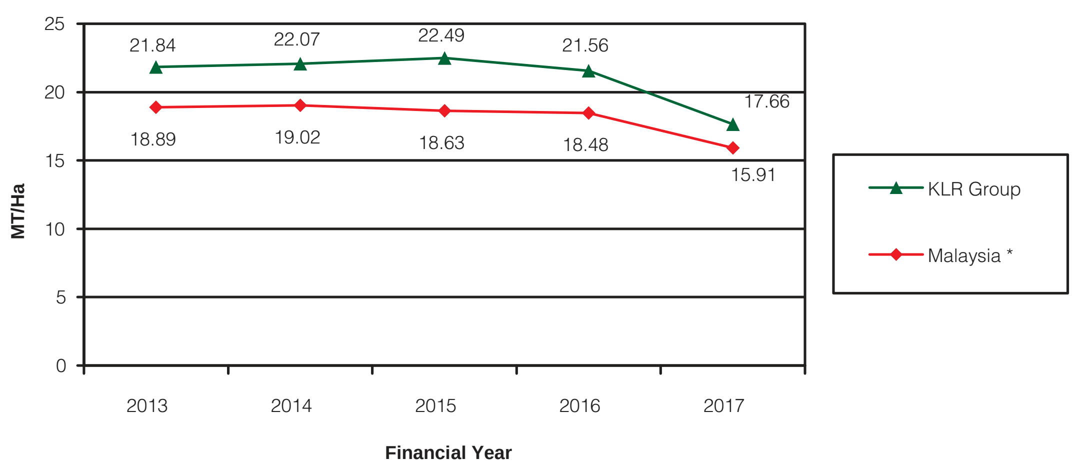
With current outlook of CPO price, we expect the plantation operations will be the main profit contributor to the Group in the financial year 2018.

The yield per Ha analysis for FY2017 and FY 2016 can be analysed as follows:

	FY2017	FY2016	Change (%)
FFB Yield:			
KLRB Group FFB Yield (MT per Ha)	17.66	21.56	(18.09%)
Malaysia National FFB Yield* (MT per Ha)	15.91	18.48	(13.91%)
CPO Yield:			
KLRB Group Oil Yield (MT per Ha)	3.98	4.99	(20.24%)
Malaysia National Oil Yield* (MT per Ha)	3.21	3.78	(15.08%)

* *The statistics for Malaysia National CPO and PK extraction rates are extracted from MPOB web-site based on calendar year 2016 and 2015 whilst the figures from KLRB Group are based on its financial year (Feb – Jan).*

The Group's five (5) year FFB yield performance comparison with the Malaysia National performance is tabulated below:

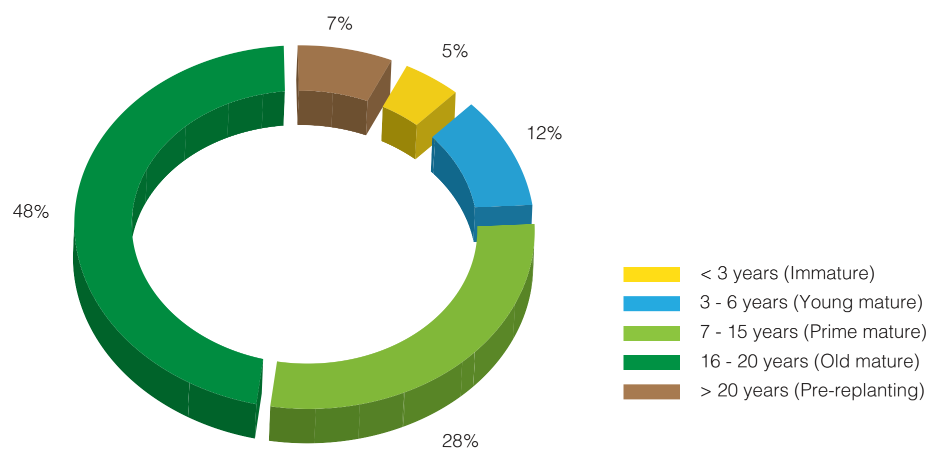


* *The statistics for Malaysia National CPO and PK extraction rates are extracted from MPOB web-site based on calendar year 2012 to 2016 whilst the figures from KLRB Group are based on its financial year (Feb - Jan).*

The drops in the Group's FFB and CPO yield per Ha are about 5% more than the Malaysia National yield performance because the Group's estates in Keningau, Sabah, where 50% of the Group's planted mature area is located, has recorded more severe year-on-year drop of 26% in FFB production comparing to the previous financial year.

In terms of age profiles of the Group's oil palm plantations, most of the planted areas are with palm age between 7 to 20 years old.

AGE PROFILE OF PALMS (AS AT 31 January 2017)



RISKS EXPOSURE AND MITIGATION

The Group's business operations are within the plantation industry and generally subject to the following major risks that may have a material effect on the Group's operations, performance, financial condition and liquidity:

a) Volatility in palm oil commodity prices as well as foreign currency exchange rate;
b) Fluctuation in production of FFB due to seasonal cyclical as well as weather factors such as El Nino phenomenon;
c) Demand in palm oil products that may be adversely affected by alternative supplies of oils and fats worldwide;
d) Shortage in skilled labour in plantation sector; and
e) Increase in operation cost partly caused by up-going trend of minimum wages as well as increased recruitment cost for foreign workers.

The Management constantly monitors the movements in palm oil commodity prices and may take steps to mitigate unfavourable movement in commodity prices, where necessary, to reduce impact on the Group's financial performance. To achieve this, the Group may use derivatives such as Futures and Swap contract to hedge against cash flow risks faced by the Group arising from its forecasted probable production.

Plantations are still a labour intensive industry and unlikely to operate without manual labour. Therefore the Group has been putting its best efforts to manage its operations with limited labour force and where possible, to invest in mechanization and automation in its plantations as well as palm oil milling operations to reduce dependency on labour.

The Group also observes best practices in managing its plantation and milling operations such as adhering to manuring programmes recommended by Agronomists, strict control to minimize oil loss, so as to achieve optimal operation efficiency in terms of both production quantity and quality.

PROSPECTS

For the financial year ending 31 January 2018, we foresee an increase in FFB production from young mature areas and strong FFB yield recovery in Keningau region. We expect the Group's FFB production to be potentially 20% higher comparing the quantity achieved in the financial year 2017.

In term of CPO production, despite stiff competition from surrounding mills, we target to achieve FFB intake of 1.20 million MT which is slightly higher than 1.15 million MT achieved in the financial year 2017.

Subject to the fluctuation in the Ringgit currency and volatility of commodity market, we expect the prospect of CPO price to be positive and good.

Based on the above, we expect the Group's performance for the financial year 2018 to be satisfactory.

SUSTAINABILITY AND CORPORATE RESPONSIBILITIES

The Group's corporate social responsibilities (CSR) supports the sustainability of the four components which are marketplace, the community, the workplace and the environment. The Group aims to continue to contribute positively to the sustainable development of the economy and the community where the Group operates. The Group believes in the importance of maintaining the highest standards of quality in company products and employee conducts whilst safeguarding environmental and social values.

The Group places importance on its CSR and remains committed to care for the environment and employees, fostering strong relationships with business associates and supporting worthy community welfare causes as an integrated part of its business responsibilities and are mindful that we create value for all our stakeholders and enhancing the long-term sustainability of the Group.

Our website provides access to the information on the Group's financials and operations as well as the direction of the Group. It also allows an email link for stakeholders to provide feedback or enquiries in order for the Group to satisfy our stakeholders' needs as well as to improve on our products and services, if needed. Any updated investor relations information will then be made available in the corporate website.

MARKETPLACE

The Group is committed to provide quality products and services in meeting the available standards and the expectation of the market and to our customers through our available resources. It also aims for continuous improvement towards building long term relationships with all its stakeholders.

We are committed to be in compliance with all laws and regulations and concurrently meet the standard for the market we operate. The Group believes in creating a good reputation to command the confidence of our customers, business associates, and other stakeholders and we value integrity to safeguard investor's interest as well as the customers.

The establishment of palm oil mills at Kota Tinggi in Johor, Sook/Keningau and Telupid in Sabah by our Group has contributed to economic activities in their respective surrounding areas. More locals are earning higher income by cultivating oil palm which is more profitable and easier to manage than other crops.

Our mills are now accepting FFB from 68 collection centres/dealers, 279 smallholders and 76 estates. In order to enhance efficiency in the management of agricultural practices, the Group uses Geospatial Information System for precision mapping to optimise productivity and minimise environmental impact and agricultural risk.

Stakeholders Engagement

The Group considers its business associates, investors and analysts, customers, trading partners and communities as its primary stakeholders and understands their concerns and is able to be transparent with them about the Group's efforts and progress.

COMMUNITY

The Board of Directors strongly believes that in playing its role as a socially responsible corporate citizen, the Group creates business sustainability and enhances value for all its stakeholders. We strive to make a positive difference to the communities in which we live and operate.

The Group has over the years placed great emphasis on enhancing living conditions of the communities where we operate. This is evidenced by the Group's contributions in areas of education, infrastructure, cultural and social development initiatives. It is the Group's practice to create and offer priority in job opportunities to local villagers, either by way of direct employment, internship or through the award of contract works. This approach has proven effective in improving their living standards.

The Group is involved in the development of land belonging to an orphanage into an oil palm estate under a joint venture agreement, providing good long term income and development fund to Al-Yatama Berhad, an organisation involved in charity work (running an orphanage).

The Group has undertaken the development of oil palm plantations on Native Customary Rights ("NCR") land in Sarawak. The aim of this project is to bring social and economic benefits to landowners who are from the indigenous community of Malaysia. The Group now manages 2,868 ha as at 31 January 2017 under this NCR project of which 2,419 ha has been planted. The Group's involvement in developing NCR land has enable to provide sustainable income for 700 local land owners, a major effort contributing to poverty alleviation in the rural areas.

During the year, the Group has assisted trainees from various universities, institutes of higher learning and training centres to undergo their practical training. Suitable candidates have been identified for employment after they have completed their training.

The Group also made several contributions and donations amounting to approximately RM100,000 to worthy causes and organisations including governmental and non-governmental organisations to support their sports, cultural and welfare activities. Donations were also made to schools for their building funds, sports day and Persatuan Ibu Bapa & Guru in Johor, Sabah and Sarawak.

WORK PLACE

The Group is aware that the quality of its people is crucial to deliver its strategy and ensure its future success and aims to create a positive work culture in the workplace where our employees are able to constantly learn new skills and improve their efficiency in carrying out their tasks, with the intent of improving their quality of living as an individual.

The Group has a total workforce of 1,500 as at 31 January 2017 of which about 47% is Malaysian.

The Group continues to place high emphasis on developing its human capital, the organisation's most valuable asset as it is a significant resource in the labour intensive agriculture sector. All the more so as the sector has over the recent years been experiencing severe labour shortages.

In view of this, the Group has invested substantial sum for employees housing, provision of free/subsidised electricity and free water supplies to the employees in the estates and mills with the objective of providing the residents with better living conditions. Free transportation is provided for school going children to the nearest schools. We also provide recreational facilities for the residents e.g., football field, volleyball and sepak takraw courts.

The Group also encourages their employees to cultivate their own vegetables for food production in designated areas within the estate/mill to enhance food sufficiency by providing seeds and young plants. Fruit tree planting within the housing compound. These initiatives are supported through the provision of planting materials, agro-fertiliser and bio-mass inputs. The produce is then distributed among employees.

'Gotong-royong' and cleaning up activities were conducted to step up the hygiene condition and eradication of mosquitoes at housing areas of the Group's estates/mills.

In addition, retail prices for essential food items at the grocery shops in the estates are monitored to ensure that those items are reasonably priced.

At the estate/mill level, family day, sports day, annual kenduri and dinners were conducted to foster better relations between the staff and workers and promote healthy lifestyle.

The roads leading to the estates are properly maintained to facilitate the movement of vehicles. Some of our main roads have benefited the neighbouring villagers as they also use these roads to go to the nearest town.

Sustainability and Corporate Responsibilities
(cont'd)

The Group has carried out various activities to improve the workforce knowledge and improve productivity, quality of life and foster a sense of belonging, such as:

- Engaging experts to share knowledge on variety issues that can benefit the employees on a personal and professional level;
- Conducting in-house training for the staff on human capital, safety, accounting, technical issues and management skills. Where specialist training is required, the staff are sent for external trainings;
- Various staff activities including festival celebrations and sporting events through the In-House Sports Club; and
- Subsidised company trips are organised annually to bring the Group's employees and their family together to strengthen the bonds of friendship and instil a sense of belonging among the staff and to promote a caring work culture.

The Group is constantly and continuously building a learning culture in the organization in order that employees at all levels are equipped with the necessary knowledge, skills and exposure, and that not only they could be fully effective in their current jobs, but be prepared for their career progression and future assignments in support of the Group's objectives and business plan. With this in mind, we have established our own Plantation Training Centre in Keningau, Sabah to provide different levels and areas of training to all our plantation staff and workers to boost their productivity and to improve their efficiency and work performance.

The Group provides medical supplies for its medical clinic at the mills and employs Hospital Assistants. In addition to the regular duties the Hospital Assistant carries out regular inspections of the employees housing to ensure that sanitation, health and drainage standards are properly maintained according to the Company's policies.

Workplace Safety

The safety of our employees is of utmost important to us. The Group is committed to create a culture of safety within the organisation in which employees are trained to be aware of and practises safe behaviours.

- Equip and replenish appropriate Personal Protective Equipment for workers;
- Conducting safety programmes that include Fire Prevention, Fire Fighting & Rescue Training;
- Safety Operations; and
- Occupational First Aid & Cardio-Pulmonary Resuscitation (CPR)

In line with the Use and Standards of Exposure of Chemicals Hazardous to Health (USECHH) Regulations 2000, the Group has appointed a certified assessor to conduct Chemical Health Risk Assessment (CHRA), for all chemicals utilized in the respective plantations and oil mills. This will be reviewed every 5 years by the appointed assessor as stipulated in the Regulations and annual medical health surveillance are conducted on all employees engaged in handling pesticide and other chemicals. In this context, training programmes in the use of personal protective equipment for workers exposed to hazardous compounds are regularly conducted.

Audiometric tests for employees working at high risk areas are also conducted annually.

Workplace Diversity

The Group believes in promoting diversity organisation wide by creating an environment that provides equal opportunities and merit-based. This has brought together people from diverse background regardless of race, sex and religion and level of experience into the Group and work as a team.

ENVIRONMENT

The Group considers environmental protection and enhancement to be important factors in the conduct of its operations. Its plantations and processing plants adhere strictly to the local environmental and plantation development regulations as well as to internationally recognised best practices. These include:

Zero burning in land clearing

The Group adheres strictly to the policy of zero burning in both new planting and replanting of oil palm. Zero burning not only keeps the air smoke-free but yields several benefits as well. The remnant debris comprising bushes or small trees which are felled are shredded and spread in the field to biodegrade, releasing nutrients slowly, adds valuable organic matter to the soils, reducing the use of fertilisers during the immature period. This policy is incorporated in the land clearing contract in which external contractors are engaged.

Water and soil conservation

To minimise soil erosion, the Group plants legumious cover crops in new planting/replant. The fast growing plants provide soil cover to protect the soil and builds up nutrients in the topsoil. In-house produced biocompost and empty fruit bunches are applied in fields especially at marginal soil areas.

Fertilizer and pest management program

The Group's fertilizer program are based on the leaf nutrient levels, yield performance profile of the palm tree and recommendation from Planting Advisor in line with Good Agricultural Practices to improve soil fertility and productivity.

To reduce environmental impact, the Group adopts an integrated pest management approach which emphasises cultural control, biological control, and monitoring and census system. The use of safe and approved pesticides is kept to a minimum.

Treatment is only carried out when the damage exceeds established critical thresholds. Prior to this, the census gangs will be deployed to survey the extent of pest infestation.

Soil enrichment and conservation

The Group routinely carries out mulching with recycled organic materials such as empty fruit bunches, oil palm fronds and palm oil mill waste, which process would replenish organic matter to the soil and improve soil properties accordingly.

Other soil conservation initiatives include the planting of leguminous cover crops to reduce soil erosion and improve soil physical properties, terracing and construction of silt pits and bunds, maintenance of soft grasses in palm avenues and prohibiting cultivation or development at slope sites with a gradient of 25 degrees or more for new developments.

Encourage use of renewables

By-products such as palm kernel shell and palm fibre are used as feedstock for cogeneration plants to produce steam and electricity.

Efficient water use

This includes incorporating an efficient land application of palm oil mill effluent system, minimising use of water in mills and harvesting fresh water and rainfall.

Waste treatment

All processing plants have waste treatment equipment and system in place. Internal environmental personnel monitor compliance with environmental standards and identify opportunities for continuous improvement.

Reducing greenhouse gas emission

The Group has successfully implemented three methane capture and power generation projects at its three mills which will reduce greenhouse gas emissions as well as supply low cost steam and electricity for milling operations and other downstream activities of the Group. The project implemented in our Kota Tinggi mill was the first project on biogas generated from palm oil mill effluent that is registered with the Clean Development Mechanism ("CDM") Executive Board of United Nations Framework Convention on Climate Change.

As a result, better utilisation of energy from waste material and biomass will contribute towards reducing the environmental impact and improve sustainability of the palm oil industry.

Recycle paper usage in workplace

The Group encourages its employees to play a part in protecting the environment by promoting recycle paper usage in workplace and to promote recycling habits to shape the mindset to go green and make recycling as an integral part of our everyday life.

Electronic reporting via internet and emails from the estates/mills are acceptable forms of reporting.

Electronic Publications

The Annual Report of the Company are published in CD-ROM format and posted on the Company's website.

This Statement has been reviewed and approved by the Board of Directors at a meeting held on 22 May 2017.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Kim Loong Resources Berhad remains resolute in upholding highest standards of corporate governance be practised throughout the Group as a fundamental part of discharging its responsibilities to the Group in building sustainable business growth in order to safeguard stakeholders' interests as well as enhancing shareholders' value. The Board recognizes that good corporate governance encompasses four key areas namely transparency, accountability, integrity and corporate performance.

The Board is pleased to report on the manner in which the 8 principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("the Code") are applied to the affairs of the Group and the extent of compliance pursuant to Paragraph 15.25 of Chapter 15 and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") in respect of the financial year ended 31 January 2017.

Principle 1 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Composition of the Board

The Board as at the date of this statement, consist of nine (9) members, comprising one (1) Executive Chairman, one (1) Managing Director, two (2) Executive Directors, one (1) Senior Independent Non-Executive Director, two (2) Independent Non-Executive Directors and two (2) Alternate Directors.

The Board has identified Mr Gan Kim Guan to act as the Senior Independent Non-Executive Director to whom concerns regarding the Group may be conveyed by shareholders or other stakeholders. He may be contacted at 03-92871889 or e-mail: gankg@kimloong.com.my.

The balance between Independent Non-Executive and Executive Directors, together with the support from Management, is to ensure that there is an effective and fair representation for the shareholders, including minority shareholders. It further ensures that issues of strategy, performance and resources are fully addressed and investigated to take into account the long-term interests of shareholders, relevant stakeholders and the community in which the Group conducts its business.

The Board complies with Paragraph 15.02 of the Listing Requirements which requires that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever higher, are Independent Directors.

None of the Board members serve as directors in more than five (5) Boards of listed companies, to ensure they devote sufficient time to carry out their responsibilities.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness and effectiveness. The Board is in the opinion that the current size and composition of members are appropriate to commensurate with the complexity of the Group's businesses and are conducive for effective conduct of Board decision making.

Board Corporate Governance Manual

The Board has formalised and adopted a Board Corporate Governance Manual ("Board CG Manual) which provides guidance to the Board in fulfilment of its roles, functions duties and responsibilities. The Board will review the Board CG Manual as and when required to ensure relevance and compliance with the regulations. Extracts of the Board CG Manual is now available at the Company's website at www.kimloong.com.my.

The Board CG Manual, covers amongst others, the following matters:

- Policies on CSR, Gender Equality and Sustainable
- Board Charter
- Role, Responsibilities and Power of the Board, Individual Directors, Chairman & Managing Director
- Role of Board Committees
- Role of Company Secretary
- Board & General Meetings
- Corporate Disclosure Policy
- Whistle-blowing Policy
- Code of Ethics and Conduct
- Corporate Integrity Policy - Anti Fraud Policy
- Risk Management Policy
- Investors Relations Policy

All Board members are expected to show good stewardship and act in a professional manner, as well as uphold the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities. The Board CG Manual sets out the role, functions, composition, operation and processes of the Board to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members. The Board CG Manual also acts as a source of reference and primary induction literature in providing insights to Board members and senior management.

This Board CG Manual will be regularly reviewed and amended to reflect changing legal, regulatory and ethical standards.

Clear functions reserved for the Board and those delegated to Management

The Board is aware and understands its roles and responsibilities in leading and controlling the Group. In order to deliver both fiduciary and leadership functions, the Board, amongst others, assumes the following key responsibilities as per Recommendation of the Code:

- Setting the objectives, goals and strategic plan for the Group with a view to maximizing shareholder value and promoting sustainability;
- Adopting and monitoring progress of the Group's strategy, budgets, plans and policies;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- To consider and approve reserved matters covering corporate policies, material investment and acquisition / disposal of assets;
- Identifying principal risks and ensure implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations programme or shareholder communications policy for the Group; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;

Generally, the Executive Directors are responsible for making and implementing operational and corporate decisions as well as developing, coordinating and implementing business and corporate strategies. Non-Executive Directors play key supporting roles, contributing knowledge and experience towards the formulation of policies and in the decision-making process. They could provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied. Where a potential conflict of interest may arise, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision-making process.

Roles and responsibilities of the Board

The Directors with their diverse backgrounds and specialisation, collectively bring in a wide range of experience, expertise and competencies to the Board that is important for the continued successful direction of the Group. The knowledge and expertise in various fields of the individual Directors contribute to the enhancement of the effectiveness of the Board. Details of each individual Director's skills and experiences are presented in the Board of Directors' Profile set out on pages 12 to 16 of this Annual Report.

Roles and Responsibilities of the Chairman, Managing Director, Executive Directors and Senior Independent Non-Executive Director

The Code recommends that if the Chairman of the Board is not an independent director, the Board must comprise a majority of Independent Directors. The Company's Chairman is an Executive Director and there are three (3) Independent Non-Executive Directors out of seven (7) board members (excluding the two (2) Alternate Directors). The Independent Directors do not form the majority of the Board.

The Nominating Committee has assessed, reviewed and determined that the chairmanship of Mr. Gooi Seong Lim remains based on the following justifications/aspects contributed by him, as the Executive Chairman of the Board:

- He has been sanctioned by the shareholders and will act in the best interest of shareholders as a whole. Since the Chairman represents shareholders with a substantial interest in the Company, he is well placed to act on behalf of the shareholders and in their best interests.
- His vast experience in managing the operations of the Group's business activities would enable him to provide the Board with a diverse set of experience, expertise and skills to better manage and run the Group;
- He has exercised his due care in the interest of the Company and shareholders during his tenure as an Executive Chairman of the Company;
- He has provided objectivity in decision making and ensured effective check and balance in the proceedings of the Board, and
- He has shown tremendous commitment and played an integral role in stewardship.

As of now, the Board also does not believe that it should urgently increase independent directors to form a majority of the Board. However, the Board will continuously review and evaluate such recommendation.

The roles and responsibilities of the Executive Chairman and the Managing Director are held by two different individuals to exercise clearly separated duty to enable a balance of power and authority. This is in line with the recommendation of the Code, which requires the Board to establish clear functions reserved for the Board and those delegated to the management.

The Board is led by Mr Gooi Seong Lim, as the Executive Chairman, whilst the executive management is helmed by Mr Gooi Seong Heen, the Managing Director of the Group. Both have many years of experience in managing the Group's core businesses.

The segregation of duties between the Executive Chairman and the Managing Director facilitates an appropriate balance of role, responsibility and accountability and promotes appropriate supervision of the management.

Role of Executive Chairman

The Executive Chairman is responsible for the leadership of the Board, controls the orderly and effective functioning of the Board, ensures the integrity and effectiveness of the governance processes of the Board and will consult with the Board promptly over any matter that gives him cause for major concern. He acts as facilitator at meetings of the Board and ensures that no Board Member, whether executive or non-executive, dominates the discussion. He also ensures that appropriate discussion takes place and that relevant opinion among Board Members are forthcoming.

The key roles and accountabilities of the Chairman are as follows:

- Presiding at Board and general meetings of the Company and ensuring all relevant issues are on the agenda with the assistance of the Senior Management and Company Secretaries;
- Managing Board communications, effectiveness and effective supervision over management;
- Creating conditions for good decision making during Board and shareholders meetings;
- Provide reasonable time for discussion of complex and contentious issues, and ensures all discussions reflect the collective views of all Board members;
- Ensuring Board proceedings are in compliance with good conduct and best practices;
- Protecting the interest and provide for the information needs of various Stakeholders;
- Maintaining good contact and effective relationships with external parties, investing public, regulatory agencies and trade associations;
- Ensuring that quality information to facilitate decision-making is delivered to the Board in a timely manner; and
- Ensuring compliance with all relevant regulations and legislation.

Role of Managing Director

The Managing Director is responsible for the stewardship of the Group's direction and the day-to-day management of the Group. The Board together with the Managing Director develop the corporate objectives, which include performance targets and long-term goals of the business, to be met by the Managing Director. The Managing Director reports to the Board and is primarily responsible for running the business and implementing the policies and strategies adopted by the Board.

The key role of the Managing Director, amongst others, includes:

- Developing the strategic direction of the Group;
- Ensuring that the Group's strategies and corporate policies are effectively implemented;
- Ensuring that Board decisions are implemented and Board directions are adhered to e.g., annual operating plan, budget, policies decisions as approved by the Board;
- Providing directions in the implementation of short and long-term business plans;
- Ensuring compliance with all relevant legislation and regulations by reviewing policies and monitoring compliance; and
- Ensuring the day-to-day business affairs of the Group are effectively managed.

The Managing Director's in-depth and intimate knowledge of the Group's affairs contribute significantly towards the ability of the Group to achieve its goals and objectives.

Role of Executive Director

The Executive Directors are responsible for developing new business models and initiatives to support realisation of the Group's strategies. The Executive Directors take the lead in effecting changes to the Company's business processes, management systems, organisation structure, core competencies and supporting technologies to enhance the productivity and efficiency of operations.

The key roles of the Executive Directors, amongst others, include:

- Developing new business models and initiatives;
- Ensuring that the Group's strategies and corporate policies are effectively implemented;
- Ensuring that Board and the Managing Director decisions are implemented and their directions are adhered to;
- Providing directions in the implementation of short and long-term business plans;
- Ensuring compliance with all relevant legislation and regulations by reviewing policies and monitoring compliance;
- Ensuring the day-to-day business affairs of the Group are effectively managed; and
- Take the lead in effecting changes to the Group's business processes, management systems, organisation structure, core competencies and supporting technologies to enhance productivity and efficiency of operations.

Senior Independent Non-Executive Director

The Senior Independent Non-Executive Director provides an additional communication channel between the Directors and the shareholders. He is available to be approached by shareholders who feel they are unable to raise issues to the Executive Chairman and Managing Director or Finance Director.

At all times, shareholders may contact the Company Secretaries for information on the Company.

Access to Information and advice

The Executive Chairman and the Managing Director have the primary responsibility for organising information necessary for the Board to deal with the agenda and ensuring all Directors have full and timely access to the information relevant to matters that will be deliberated at Board meetings.

In exercising their duties, all Directors have the same right of access to all information within the Group and they have a duty to make further enquiries which they may require in discharging their duties. The Directors also have access to advice and services of the Company Secretaries, who are available to provide them with appropriate advice and services to ensure that Board meeting procedures are followed and all applicable rules and regulations are complied with. If necessary, the services of other senior management will be arranged to brief and help the Directors to clear any doubt or concern to further facilitate the decision-making process.

All Directors are provided with an agenda and a set of comprehensive Board papers, issued within sufficient time prior to Board meetings to ensure that the Directors can appreciate the issues to be deliberated on, and where necessary, to obtain further explanation. The Board papers include updates on financial, operational and corporate developments of the Group. Board papers are also presented with details on other issues that may require the Board's deliberation or decisions, policies, strategic issues which may affect the Group's businesses and factors imposing potential risks affecting the performance of the Group. Senior management staff and external advisors may be invited to attend Board meetings, to advise and provide the Board with detailed explanations and clarifications whenever necessary on matters that are tabled.

The Board papers prepared for the quarterly scheduled meetings include, among others, the following:

- Minutes of previous Board meeting
- Minutes of the Board Committees' meeting
- Reports on matters arising
- Quarterly financial report
- Report on operations

Other matters highlighted for the Board's decision include the approval of corporate plans, acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

Independent Professional Advice

The Directors, whether acting as a full Board member or in their individual capacity, in the furtherance of their duties, may obtain independent professional advice at the Company's expense, in the event that circumstances warrant the same. The Company has placed internal procedures for the application and appointment process for the services.

Company Secretaries

The Board is supported by three (3) qualified Companies Secretaries who are members of professional bodies such as the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) or the Malaysian Association of Company Secretaries (MACS) and are qualified to act as company secretary under Section 235 of the Companies Act, 2016.

The Company Secretaries are entrusted to record the Board's and their Committees' deliberations, in terms of issues discussed, and the conclusions and the minutes of the previous Board meeting are distributed to the Directors prior to the Board meeting for their perusal before confirmation of the minutes at the commencement of the following Board meeting. The Directors may comment or request clarification before the minutes are tabled for confirmation and signed by the Chairman of the meeting as a correct record of the proceedings of the meeting.

All Directors have direct access to the advice and services of the Company Secretaries whether as a full Board or in their individual capacity, in discharging their duties.

The Board is regularly updated by the Company Secretaries on new changes to the legislations and Listing Requirements and the resultant implications to the Company and the Board in discharging their duties and responsibilities.

The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of their functions.

Principle 2 STRENGTHEN COMPOSITION

BOARD COMMITTEES

In order to assist in the execution of Board's responsibilities for the Group, certain functions have been delegated by the Board to Board Committees. Clearly defined terms of reference have been given to these Committees to enable them to operate effectively. However, these Committees do not have any executive powers. The Chairman of the respective Committees reports to the Board the outcome of the Committee meetings and such reports are incorporated in the Board papers (except the power of the Audit Committee to report to Bursa Securities in circumstances described in the Audit Committee Report).

The Board periodically reviews the Committees' terms of reference.

a. Audit Committee

The Audit Committee serves as a focal point of communication between Directors, External Auditors, Internal Auditors and the Senior Management on matters pertaining to financial accounting, reporting and controls. The Committee also assists the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and all subsidiaries and the sufficiency of auditing of the Group. It is also the Board's principal agent in ensuring independence of the Company's External Auditors and the adequacy of disclosures to shareholders.

The Committee has full access to the auditors both internal and external, who in turn, have access at all times to the Chairman of the Audit Committee.

In line with good corporate governance practices, none of the Executive Directors are members of the Audit Committee. The terms of reference of the Audit Committee is available on the Company's website at www.kimloong.com.my and the Report of the Audit Committee is disclosed on pages 60 to 64 of this Annual Report. The works of the Audit Committee during the financial year ended 31 January 2017 are also set out in the Report of the Audit Committee.

b. Remuneration Committee

The Remuneration Committee is responsible for recommending the remuneration framework and the remuneration packages of the Executive Chairman, Managing Director and Executive Directors to the Board, so as to ensure that rewards are linked to their performance and contributions to the Group's growth and profitability in order to align the interest of the Directors with those of shareholders. The Committee also ensures that the level of remunerations for Executive Directors are linked to their level of responsibilities and contribution to the effective functioning of the Company. None of the Executive Directors participated in any way in determining their individual remuneration.

The Board as a whole determines the remuneration packages of Independent Non-Executive Directors with the Directors concerned abstaining from discussions in respect of their individual remuneration. In deciding on an appropriate level of fees for each Independent Non-Executive Director, the Board has considered the responsibility level and time commitment required in attending both the scheduled and special Board meetings, deliberation time required for Board papers, as well as the number of Board Committees involved.

The terms of reference of the Remuneration Committee is available on the Company's website at www.kimloong.com.my and the Report of the Remuneration Committee is set out on page 65 of this Annual Report.

c. Nominating Committee

The Nominating Committee is empowered by the Board through clearly defined terms of reference to ensure that there are appropriate procedures in place for the nomination, selection and evaluation of Directors. The Nominating Committee assesses the effectiveness of the Board as a whole and each of the Board Committees as well as the contribution of each individual Director, including the Independent Non-Executive Directors, Executive Chairman and Managing Director on an annual basis. All assessments and evaluations carried out by the Nominating Committee in discharging its duties are documented in the minutes of meetings.

The objective of the assessment of the effectiveness of the Board as a whole, the Board Committee and the contribution of each Director was to improve the Board and the Committee's effectiveness and to enhance the Director's awareness on the key areas that need to be addressed. The evaluation result was tabled for consideration of the Nominating Committee and its recommendations to the Board.

The Board, through the Nominating Committee's annual appraisal process, believes that it possesses the required mix of skills, experience and other qualities including core competencies brought by Independent Non-Executive Directors which enables it to discharge its duties in an effective manner in light of the challenging economic and operating environment in which the Group operates. Furthermore, the Board continuously reviews its size and composition with particular consideration on its impact on the effective functioning of the Board.

The Board appoints its members through a selection process. All new appointees will be considered and evaluated by the Nominating Committee for the candidates' ability to discharge responsibilities as expected from them. The Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure that all appointments are properly made and that legal and regulatory obligations are met.

The terms of reference of the Nominating Committee is available on the Company's website at www.kimloong.com.my and the Report of the Nominating Committee is set out on page 66 of this Annual Report.

BOARD DIVERSITY

The Board is aware of the gender diversity policy and target as set out in Recommendation 2.2 of the Code. When appointing a Director, the Nominating Committee and the Board will always evaluate and match the criteria of the candidate to the Board based on individual merits, experience, skill, competency, knowledge and potential contribution, whilst the Recommendation 2.2 of the Code will also be given due consideration for boardroom diversity.

The Company does not set any specific target for boardroom diversity and female representation will be considered when suitable candidates are identified.

Diversity

The Board is committed to provide fair and equal opportunities within the Group and acknowledges the importance of boardroom and workplace diversity as well as the employment of employees who possess the necessary skills and right personal attributes. The Group is committed to workplace diversity and that the workplace is fair, accessible, flexible and free from all kinds of discrimination.

DIRECTORS' REMUNERATION

The remuneration policy of the Company is based on the philosophy to enable the Company to attract and retain Directors of calibre and relevant experience and expertise to manage the Group successfully. For an Executive Director, the remuneration will depend on the achievement of goals including targets and personal achievement and is linked to Group and individual performance. In the case of a Non-Executive Director, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned. All Independent Non-Executive Directors are paid Director's fees for serving as Directors on the Board and its Committees. The Company also reimburses reasonable expenses incurred by these Directors in the course of their duties. All Directors are paid a meeting allowance of RM500 per meeting day for attendance at each Board and its Committes' meetings.

a. The level and make up of Remuneration

The remuneration package of the Executive Directors is reviewed by the Remuneration Committee for consideration of the Board.

The remuneration of all Non-Executive Directors is reviewed by the Board, based on their experience and expertise and the level of responsibilities of the Directors concerned as well as the condition of the industry.

b. Procedure

The Remuneration Committee recommends to the Board the remuneration package of the Executive Directors. The Executive Directors do not participate in decisions regarding their own remuneration packages. The Board as a whole determines the remunerations of Non-Executive Directors with individual Directors abstaining from making decisions in respect of their individual remunerations. The Directors' fees are approved at the AGM by shareholders.

c. Disclosure

A summary of the remuneration of the Directors of the Company and the Group for the year ended 31 January 2017, distinguishing between Executive and Non-Executive Directors, with categorisation into appropriate components is set out as below:

Group

Aggregate Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Salary	3,264,000	-	3,264,000
Bonus	2,400,000	-	2,400,000
Fees	318,000	264,000	582,000
Meeting allowance	45,250	7,500	52,750
Estimated monetary value of benefit-in-kind	31,112	-	31,112
Defined contribution plan (EPF)	736,322	-	736,322
Social Security costs (SOCSO)	13,027	-	13,027
TOTAL	6,807,711	271,500	7,079,211

Company

Aggregate Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Salary	1,824,000	-	1,824,000
Bonus	1,368,000	-	1,368,000
Fees	-	264,000	264,000
Meeting allowance	9,500	7,500	17,000
Estimated monetary value of benefit-in-kind	31,112	-	31,112
Defined contribution plan (EPF)	414,962	-	414,962
Social Security costs (SOCSO)	2,171	-	2,171
TOTAL	3,649,745	271,500	3,921,245

	Number of Directors	
Remuneration Band of RM50,000	**Remuneration from Company**	**Remuneration from Group**
Executive Directors		
RM700,001 – RM750,000	1	-
RM900,001 – RM950,000	2	-
RM1,050,001 – RM1,100,000	1	-
RM1,500,001 – RM1,550,000	-	1
RM1,650,001 – RM1,700,000	-	1
RM1,700,001 – RM1,750,000	-	1
RM1,850,001 – RM1,900,000	-	1
Non-Executive Directors		
RM50,000 – RM100,000	3	3

Principle 3 REINFORCE INDEPENDENCE

Independent Non-Executive Directors

The presence of Independent Non-Executive Directors provides a pivotal role in corporate accountability. The role of the Independent Non-Executive Directors is particularly important as they provide independent and objective views, advice and judgement and ensure strategies proposed by the management are thoroughly discussed and evaluated, and that the long-term interests of stakeholders are considered. The Independent Non-Executive Directors do not participate in the operation of the Company in order to uphold their objectivity and fulfil their responsibility to provide check and balance to the Board.

Annual Assessment of Independent Directors

The Board recognises the importance of independence and objectivity in its decision making process. The Independent Directors who are professionals of high calibre and integrity and possess in-depth knowledge of the Group's business, bring their independent and objective views and judgement to Board deliberations.

During the financial year, the Board through the Nominating Committee perform an evaluation of all Directors including the Independent Directors and was satisfied that the Independent Directors continued to exercise independent and objective judgement and acted in the interest of the Company and its stakeholders.

Tenure of Independent Director

The Board noted the recommendation of the Code on the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. The Nominating Committee and the Board have deliberated on the recommendation and hold the view that the ability of an Independent Director to exercise independent judgement is not affected by the length of his service as an Independent Director. The suitability and ability of Independent Director to carry out his roles and responsibilities effectively are very much a function of his calibre, experience and personal qualities. Restriction on tenure may cause loss of experience and expertise that are important contributors to the efficient working of the Board.

Both the Nominating Committee and the Board have assessed the independence of Mr. Gan Kim Guan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, and recommended him to be retained as the Independent Non-Executive Director of the Company based on the following justifications:-

(a) He has fulfilled the criteria under the definition of an Independent Director as stated in the Listing Requirements, and thus, he would be able to provide independent judgement, objectivity and check and balance to the Board;
(b) He performs his duties and responsibilities diligently and in the best interest of the Company without being subject to influence of the management;
(c) His in-depth knowledge of the Group's businesses and his extensive knowledge, commitment and expertise continue to provide invaluable contribution to the Board;
(d) He, having been with the Company for more than 9 years, is familiar with the Group's business operations and has devoted sufficient time and attention to his professional obligations and attended the Board and Committee meetings for an informed and balanced decision making;
(e) He is independent as he has shown great integrity and he has not entered into any related party transaction with the Group; and
(f) He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Group.

Both the Nominating Committee and the Board also recognise the benefits of the experience, valuable insights, expertise and stability brought by Mr Gan Kim Guan and his continued service will serve the interest of the Company and its shareholders.

Pursuant to Recommendation 3.3 of the Code and notwithstanding his long tenure in office, the Board is unanimous in its opinion that Mr Gan Kim Guan, who has served on the Board as an Independent Director, exceeding a cumulative term of nine (9) years, continues to fulfill the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the Listing Requirements.

In this respect, the Board has approved the continuation of Mr Gan Kim Guan as an Independent Director of the Company. The Board believes that it is in the best position to identify, evaluate and determine whether any Independent Director can continue acting in the best interests of the Company and bringing independent and professional judgement to board deliberations. Accordingly the Board strongly recommends retaining Mr Gan Kim Guan as Independent Non-Executive Director and will be tabling an Ordinary Resolution to shareholders at the 2017 AGM for the said purpose.

Shareholders approval for retention of Independent Director

The Board takes cognizance of the recommendations of the Code regarding tenure of Independent Directors and will seek approval of the shareholders for retention of Independent Director who have served for a cumulative term of more than nine (9) years.

Independent Directors and balance of power

In relation to the Recommendation 3.5 of the Code that the Board must comprise a majority of Independent Directors where the chairman of the Board is not an independent director, the Board is of the opinion that current number of independent directors is sufficient to ensure balance of power and authority on the Board.

The Board is also satisfied with the Board's composition in respect of representation of minority shareholders by the Independent Non-Executive Directors.

Principle 4 FOSTER COMMITMENT

Board Meetings

The Board normally meets at least four (4) times a year with additional meetings convened when urgent and important decisions need to be taken between scheduled meetings. Due notice of issue to be discussed, deliberated and conclusions arrived are recorded in discharging its duties and responsibilities.

During the financial year, the Board met on five (5) occasions where it deliberated upon and considered a variety of matters including approving the Group's financial results, strategic and investment decisions as well as financial and operating performance of its subsidiary companies.

The agenda for each Board meeting and papers relating to the agenda are sent to all Directors at least seven (7) days before the meeting, in order to provide sufficient time for the Directors to review the Board papers and seek clarifications, if any.

All proceedings at the Board meetings are recorded by way of minutes and signed by the Chairman of the respective meeting.

Time Commitment and Protocol for Accepting New Directorships

The Directors are aware of the time commitment expected from them to attend to matters of the Group in general, including attendance at meetings of the Board and Board Committees and other types of meeting. Meetings for each financial year are scheduled in advance for Directors to plan their schedule ahead.

The Board is satisfied with the level of time commitment given by the Directors in the discharge of their roles and responsibilities as the Directors of the Company as evidenced by their attendance at the respective meetings set out below:

Name of Director	Status of Directorship	Number Meetings Attended	Percentage (%)
Gooi Seong Lim	Executive Chairman	5	100
Gooi Seong Heen	Managing Director	5	100
Gooi Seong Chneh	Executive Director	4	80
Gooi Seong Gum	Executive Director	5	100
Gan Kim Guan	Senior Independent Non-Executive Director	5	100
Chan Weng Hoong	Independent Non-Executive Director	5	100
Cheang Kwan Chow	Independent Non-Executive Director	5	100

Under the existing practice, the Directors shall inform the Board before accepting new directorships in other companies and ensure that their number of directorships in public listed companies is in compliance with the Listing Requirements.

Directors Training

All Directors have completed the "Mandatory Accreditation Programme for Directors of Public Listed Companies" pursuant to Paragraph 15.08 of the Listing Requirements including the alternate director.

During the financial year under review, the Board has discussed training programmes proposed for the Directors' attendance. Directors are also encouraged to participate in seminars and/or conferences organised by relevant regulatory authorities, professional bodies and commercial entities providing training. This is part of their Continuous Education Programme to keep abreast with relevant new developments on a continuous basis on the general regulatory, economic, industry and technical developments to further enhance their skills, knowledge and experience as well as update themselves on new developments in the business environment in order to fulfil their duties as Directors.

Directors also receive briefing from Internal and External Auditors on updates in financial reporting and new accounting standards affecting the Group, bankers on available financial instruments and suppliers/contractors on their products. The Executive Directors represent the Group at the Committee of East Malaysia Planters' Association and Malaysian Estate Owners' Association and they are kept informed on new development affecting the plantation industry.

Statement on Corporate Governance
(cont'd)

During the financial year under review, the Directors have attended the following training programmes/courses and/or conferences listed below:

Name	Organiser	Topic / Title	Date
Gooi Seong Lim	Affin Hwang Capital	Looking Ahead, Navigating 2016	4 Apr 2016
	Standard Chartered	Discretionary Portfolio Management: In Search of the Best	7 Apr 2016
	United Overseas Bank Singapore	UOB Corporate Seminar - Global Market Outlook	13 Apr 2016
	DBS Bank Singapore	DBS Private Bank Second Half 2016 Market Outlook	8 Jul 2016
	OCBC Bank Singapore	OCBC Global Treasury Economic & Business Forum	14 Jul 2016
	Crescendo International College	The Companies Act 2016	19 Oct 2016
	In House Training	Lectuerette on Malaysian Employment Practices	11 Jan 2017
Gooi Seong Heen	Bursa Malaysia	POC 2016 – Palm and Lauric Oils Price Outlook Conference and Exhibition, Managing Market Uncertainties: Our Global Solution	7 - 9 Mar 2016
	Affin Hwang Capital	Looking Ahead, Navigating 2016	4 Apr 2016
	IJM Plantations Berhad	Walk within CEO 2016' Stakeholder Engagement - Updates on Palm Products Outlook vis-a-vis Other Edible Products Amidst the El Nino Phenomenon with focus on Sabah and Sarawak	15 Apr 2016
	OCBC Bank Singapore	OCBC Global Treasury Economic & Business Forum	14 Jul 2016
	DBS Bank Singapore	DBS Asia Insights Conference 2016 - Igniting Possibilities for the Asia Tomorrow	4 Aug 2016
	Malaysia Palm Oil Council	Malaysian Palm Oil Trade Fair & Seminar 2016	12-13 Oct 2016
	Crescendo International College	The Companies Act 2016	19 Oct 2016
	In House Training	Lectuerette on Malaysian Employment Practices	11 Jan 2017
Gooi Seong Chneh	Affin Hwang Capital	Looking Ahead, Navigating 2016	4 Apr 2016
	Crescendo International College	The Companies Act 2016	19 Oct 2016
	In House Training	Lectuerette on Malaysian Employment Practices	11 Jan 2017

Name	Organiser	Topic / Title	Date
Gooi Seong Gum	Affin Hwang Capital	Looking Ahead, Navigating 2016	4 Apr 2016
	Crescendo International College	The Companies Act 2016	19 Oct 2016
	In House Training	Lectuerette on Malaysian Employment Practices	11 Jan 2017
Gan Kim Guan	Coalition for Business Integrity Berhad	Navigating Updates An Essential Guide for Listed Issuers	23 Aug 2016
	Bursa Malaysia & The Malaysian Institute of Chartered Secretaries and Administrators	Corporate Governance Breakfast Series - How to Leverage on AGMs for Better Engagement with Shareholders	21 Nov 2016
	Bursa Malaysia	There's Something for Everyone on Bursa Malaysia	8 Dec 2016
	Bursa Malaysia	CG Breakfast Series with Directors "Anti-corruption & Integrity - Foundation of Corporate Sustainability: Nathan Bush, O'Melveny & Myers LLP	8 Dec 2016
Chang Weng Hoong	The Incorporated Society of Planters	Soil and Plantation Management Series - Unlocking knowledge to Maximise Productivity	16 Feb 2016
Cheang Kwan Chow	Malaysian Institute of Accountants	Customer Focus and Services Excellence	6 & 7 Apr 2016
	Malaysian Institute of Accountants	Understanding and Preparing Consolidated Financial Statements - A Practical Approach for Beginners	11 & 12 Apr 2016
	Malaysian Institute of Accountants	An Overview of Latest Development in MFRS	14 & 15 May 2016
	Crescendo International College	The Companies Act 2016	19 Oct 2016
	Suruhanjaya Syarikat Malaysia	SSM Compass on "Companies Bill 2015 & Interest Schemes Bill 2015	9 Nov 2016
Gooi Chuen Kang	Bursa Malaysia	POC 2016 - Palm and Lauric Oils Price Outlook Conference and Exhibition, Managing Market Uncertainties: Our Global Solution	7 - 9 Mar 2016
	IJM Plantations Berhad	Walk withn CEO 2016' Stakeholder Engagement - Updates on Palm Products Outlook vis-a-vis Other Edible Products Amidst the El Nino Phenomenon with focus on Sabah and Sarawak	15 Apr 2016

Name	Organiser	Topic / Title	Date
Gooi Chuen Kang	Bursatra Sdn Bhd	Mandatory Accreditation Program for Directors of Public Listed Companies	4 & 5 May 2016
	Malaysian Oil Scientists' and Technologists Association	Oil and Fats International Congress 2016 and International Society for Fats Research 2016 - Global Trends in Oils & Fats: Pathway to 2025	19-21 Oct 2016
	Bank of Singapore	Global Outlook 2017 - A Brave New World	16 Jan 2017
Gooi Khai Chen	Standard Chartered	Discretionary Portfolio Management: In Search of the Best	7 Apr 2016
	Bursatra Sdn Bhd	Mandatory Accreditation Program for Directors of Public Listed Companies	1 & 2 Jun 2016

New Appointment, Re-appointment and Re-election of Directors

The Board appoints its members through a formal and transparent selection process which is consistent with the Company's Articles of Association (Constitution).

The Nominating Committee established by the Board is responsible for proposing and assessing new nominee(s) to the Board and Board Committee membership and thereupon submitting its recommendation to the Board for decision. As part of the appointment process, the potential candidate must disclose his existing directorships as well as any other commitments so as to determine whether he has adequate time to perform his duties.

All new Directors appointed to the Board undergoes induction programme tailored to their experience, background and particular areas of focus. The induction programme is designed to develop Directors' knowledge and understanding of the Group's operations and culture. The induction programme includes:

- individual one-to-one meetings with the Chairman, Managing Director, Executive Directors and Finance Director;
- site visits to the Group's oil palm estates and palm oil mills;
- meetings with management of the Group's operating companies and other senior management; and
- if required, external training courses at the Group's expense.

Individual director's assessments were conducted with the objective to improve the Board effectiveness and to enhance the Director's awareness on the key areas that need to be addressed. The performance indicators for individual director include their interactive contributions, quality of input and understanding of their roles were evaluated by the Nominating Committee. The results of the evaluation were tabled to the Board to deliberate areas for improvement.

All newly appointed Directors are subject to re-election by the shareholders at the AGM following their appointment.

The Company's Articles of Association (Constitution) provide that at least one-third (1/3) of the Board is required to retire by rotation at each AGM provided always that each Director shall retire at least once in every three (3) years. The Directors to retire in each year are the Directors who have been longest in office since their appointment or reappointment in accordance with the Articles of Association (Constitution). This provides an opportunity for shareholders to renew their mandate. To assist shareholders in their decision, sufficient information such as personal profile and meeting attendance of each Director standing for re-election at the forthcoming AGM are shown in the Notice of AGM (Ordinary Resolutions 5, 6 & 7) on page 4 and the Profile of Directors on pages 12 & 14 of this Annual Report.

Principle 5 UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance of Financial Statements with Applicable Financial Reporting Standards

The Audit Committee is tasked with assisting the Board in maintaining a sound system of internal control across the Group. Accurate and reliable financial statements are a key outcome of a sound system of internal control and towards this end, the Audit Committee considers the following on a regular basis:

- Changes in accounting policies, practices and implementation thereof
- Significant adjustment arising from external audit process
- Qualification of the external auditor's report (if any)
- Going concern assumption
- Adequacy and appropriateness of disclosures

The Audit Committee also meets with the external auditors without the presence of Management, and this is a forum at which the external auditors may raise, among other matters, any concern they may have on the compliance aspect of the financial statements.

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. All accounting standards which the Board considers to be applicable have been adopted, subject to any explanation for material departures disclosed in the notes to the financial statements.

The Finance Director updates the Audit Committee regularly on the Group's financial performance and highlights key issues in connection with the preparation of the results, including the adoption of new accounting standards/policies. The Finance Director is responsible for ensuring that the Group is aware of impending changes to the accounting standards and also the relevant regulatory requirements, recognises the implication of those changes and complies with the requirements.

The Company's financial statements are prepared in accordance with the requirements of the Companies Act, 2016 and Financial Reporting Standards in Malaysia. The Board is responsible to ensure that the financial statements give a true and fair view and balanced and understandable assessment of the state of affairs of the Company and of the Group. The Audit Committee assists the Board to ensure accuracy and adequacy of all information for disclosure and compliance with accounting standards.

The Board presents a balanced and meaningful assessment of the Group's financial performance and prospects to the shareholders, investors and regulatory authorities, primarily through the quarterly and annual financial statements, Chairman's Statement and Management Discussion & Analysis in the Annual Report.

External Auditors

The Board through the establishment of the Audit Committee, has established a good working relationship with its External Auditors i.e., Messrs Ernst & Young. The Group also maintains a transparent and professional relationship with its External Auditors in seeking professional advice and ensuring compliance with the applicable Financial Reporting Standards in Malaysia. Messrs Ernst & Young report to the shareholders of the Company on their opinion which are included as part of the Group's Annual Report with respect to their audit on each year's statutory financial statements. The Company's External Auditors are appointed every year during the AGM.

The External Auditors are invited to attend the Audit Committee meetings and AGM and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

The Board has adopted a procedure in relation to the provision of non-audit services by the Company's External Auditors to ensure that it is not in conflict with the role of the External Auditors or their independence. The External Auditors are required to declare their independence annually.

The Audit Committee is responsible to review all the non-audit services provided by the External Auditors and the aggregate amount of fees paid to them. Details of the amounts paid to the External Auditors for non-audit services performed during the year are set out in the Additional Compliance Information of this Annual Report.

The Audit Committee is also aware of the recommendations of the Code to have policies and procedures in place to assess the suitability and independence of External Auditors. Considering the expertise and existing business knowledge of the current External Auditors and the location of the Company and its subsidiaries, the Audit Committee is of the opinion that the current External Auditors are still suitable for re-appointment. While assessing the independence of the External Auditors, the Audit Committee is satisfied and agreed with the representation by the External Auditors in their Audit Planning Memorandum for the audit of the financial year ended 31 January 2017, that they are independent in accordance with the By-laws (on Professional Ethics, Conduct and Practise) of the Malaysian Institute of Accountants. Furthermore, during the financial year ended 31 January 2017, the External Auditors were not engaged for any other significant services other than the statutory audit.

The Board is satisfied based on advice from the Audit Committee that the provision of the non-audit services does not in any way compromise on their independence. In addition, the Audit Committee has obtained a written assurance from the External Auditors confirming that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Related Party Transactions

Directors recognise that they have to declare their respective interests in transactions with the Company and with the Group, and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. The Company has an internal framework to ensure it complies with the related party transactions as prescribed in the Listing Requirements. The related party transactions are recorded and presented to the Audit Committee on a quarterly basis for review and discussion should any concern arise. All related party transactions are reviewed as part of the annual internal audit plan, and the Audit Committee reviews any related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that causes questions of management integrity to arise.

Principle 6 RECOGNISE AND MANAGE RISK

Risk Management Framework

The Board recognises that risk management is an integral part of the Group's business operations and is important for the achievement of its business objectives. The Group has established a Risk Management Committee ("RMC") that is chaired by the Managing Director and its members comprise the Executive Directors, Heads of Divisions & Departments ("HODS") and staff from key operations. They have also been trained to identify the risks relating to their areas; the likelihood of these risks occurring; the consequences if they do occur; and the actions being and/or to be taken to manage these risks to the desired level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register.

The risk registers are eventually compiled to form the Group Risk Profile for reporting to the RMC and the Audit Committee.

Ongoing risk management education and training is provided at Management and stafflevel by members of the RMC.

Internal Control

The Board acknowledges that it is responsible for the Group's system of internal controls which is to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. It involves key management of each business unit to meet the Group's particular needs, manage risks to which it is exposed, the effective and efficient conduct of operations, financial controls and compliance with laws and regulations as well as with internal procedures and guidelines to provide reasonable but not absolute assurance against misstatement or loss.

The review on the systems of internal control is set out under the Statement on Risk Management & Internal Control as set out in pages 55 to 59 of this Annual Report.

The Statement on Risk Management & Internal Control provides an overview of the risk management framework and state of internal control within the Group.

Principle 7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Company's Corporate Disclosure Policy provides a framework for the Board, management and relevant staff to communicate effectively with shareholders, investors, other stakeholders and the public generally. The policy encompasses the following objectives:

- to raise awareness and provide guidance to the Board and employees of the Group on the Company's disclosure obligations and practices;
- to provide policies and guidelines in disseminating information to, and in dealing with shareholders, financial analysts, media, regulators, the investing community and other stakeholders;
- to ensure compliance with applicable legal and regulatory requirements on disclosure of material information; and
- to build good relations with the investing community to foster trust and confidence.

The Corporate Disclosure policy regulates the review and release of information to the stock exchange as well as through the Company's website, facilitating timely and accurate disclosure of the Company's affairs.

Leveraging on Information Technology for Effective Dissemination of Information

The Board recognises the importance of information technology for effective dissemination of information.

The Company's website has become a key communication channel for the Company to reach its shareholders and general public. The website has a number of sections provide up-to-date information on Group activities, Board Charter, financial results, announcements released to Bursa Securities, annual reports and company profile, corporate presentations and other information on the Company can be found on the Company's website at www.kimloong.com.my to further enhance investors and shareholders communication.

Insider Trading

Directors and senior management are prohibited from dealing in securities if they have knowledge of any price-sensitive information which has not been publicly disclosed in accordance with the Listing Requirements and the relevant regulatory provisions.

Principle 8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Dialogue between the Group and Investors

The Board adheres to the disclosure requirements of Bursa Securities and ensures timely release of the financial results on a quarterly basis in order to provide its shareholders with an overview of the Group's financial and operational performance. In addition, it communicates with its shareholders, institutional and potential investors through various announcements made during the year.

This Annual Report is also an important channel of communication to reach shareholders and investors as it provides comprehensive information pertaining to the Group.

A press conference is normally held after the AGM and/or Extraordinary General Meeting ("EGM") of the Company to provide the media the opportunity of receiving an update from the Board and to address any queries or areas of interest by the media.

In addition, the Group recognises the need for independent third party assessment of itself. In this regard, the Executive Chairman, Managing Director and key senior management of the Group also conduct dialogue sessions or briefings with Investment/Financial Analysts and the Press on the results, performance and the potential of new developments of the Group. These briefings enable a direct and frank dialogue on the affairs of the Group.

Other avenues whereby shareholders and interested stakeholders have access to company data are through quarterly filing of financial data at Bursa Securities and via the Company's website at www.kimloong.com.my which they can access for information about the Group.

AGM

The AGM is the principal forum of dialogue with shareholders. In accordance with the Company's Articles of Association (Constitution), Notice of AGM together with a copy of the Company's Annual Report is sent to shareholders at least twenty one (21) days prior to the meeting.

Each item of special business included in the notice of meeting is accompanied by an explanation for the proposed resolution.

All Directors had attended the AGM held during the financial year. At the AGM, the Board presents the progress and performance of the Group as contained in the Annual Report and shareholders are encouraged to participate and are given every opportunity to raise questions or seek more information during the meeting. The Executive Chairman, Managing Director and Board members are available to respond to all shareholders' queries.

Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Shareholders can also leave written questions for the Board to respond. The Shares Registrar is available to attend to matters relating to shareholders' interests.

Shareholders are welcome to raise queries by contacting the Company at any time throughout the year and need not wait for the AGM for such an opportunity.

Poll Voting

The Company has always made the necessary preparation for poll voting for all resolutions tabled at the AGM and EGM. The Company will explore the suitability and feasibility of employing electronic means for poll voting as set out in Recommendation 8.2 of the Code.

The Company conducted poll voting in respect of all resolutions put before the shareholders at the last AGM as required by the Listing Requirements.

Annual Report

The Directors believe that an important channel to reach shareholders and investors is through the Annual Report. Besides including comprehensive financial performance and information on the business activities, the Group strives to improve the contents of the Annual Report in line with the developments in corporate governance practices.

The Company's Annual Report can be accessed at the Company's website at www.kimloong.com.my. Bursa Securities also provides facilities for the Company to electronically publish all its announcements, including full version of its quarterly results announcements and Annual Report at its website at www.bursamalaysia.com.

Compliance Statement

The Company has committed to achieving high standard of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings.

This Statement has been reviewed and approved by the Board of Directors at a meeting held on 22 May 2017.

STATEMENT ON DIRECTORS' RESPONSIBILITIES

The Board is required under paragraph 15.26(a) of the Listing Requirements to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors are required by the Companies Act, 2016 (the Act) to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the financial year end and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgements and estimates that are reasonable and prudent; and
- prepared the annual financial statements in accordance with Financial Reporting Standard in Malaysia, the requirements of the Act and the Listing Requirements.

The Directors are responsible for ensuring that the Company and its subsidiaries keep accounting records which disclose with reasonable accuracy at any time the financial position of each company and which enable them to ensure that the financial statements comply with the requirements of the Act.

The Directors consider that, in preparing the financial statements of KIM LOONG RESOURCES BERHAD for the financial year ended 31 January 2017, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates.

The Directors also consider that all applicable Financial Reporting Standards in Malaysia have been complied with and confirm that the financial statements have been prepared on a going concern basis. The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement has been reviewed and approved by the Board of Directors at a meeting held on 22 May 2017.

ADDITIONAL COMPLIANCE INFORMATION

To comply with the Listing Requirements, the following information is provided:

Utilisation of Proceeds from Corporate Proposals

During the financial year, there were no proceeds raised by the Company from any corporate proposal.

Audit and Non-audit fees

The audit fees paid or payable to the External Auditors, Messrs Ernst & Young, by the Company and the Group during the financial year 2017 were as follows:

Audit Fees

Group (RM)	Company (RM)
275,500	57,000

The non-audit fees paid or payable to the External Auditors, Messrs Ernst & Young, by the Company and the Group during the financial year 2017 were as follows:

Non-audit Fees

Group (RM)	Company (RM)
6,000	6,000

Material Contracts Involving Directors and Major Shareholders' Interest

There were no material contracts for the Company and its subsidiaries involving Directors and major shareholders' interest either subsisting at the end of the financial year or entered into since the end of the previous year.

Recurrent Related Party Transactions

The details of the recurrent related party transactions of a revenue in nature entered by the Company and /or its subsidiaries with the Related Party, namely Kim Loong Plantations Sdn. Bhd. ("KLP"), during the financial year ended 31 January 2017 pursuant to the shareholders mandate were as follows:

Nature of Transactions	Related Party	Relationship between Related Party and the Company	Value of Transactions during the financial year (RM)
Purchase of oil palm fresh fruit bunches by the Company and / or its subsidiaries from KLP	KLP	KLP is a wholly-owned subsidiary of Sharikat Kim Loong Sendirian Berhad ("SKL"), the holding company of the Company. Gooi Seong Lim, the Executive Chairman and a Major shareholder of the Company, is a director of KLP and SKL and a substantial shareholder of SKL. Gooi Seong Heen, the Managing Director and a Major shareholder of the Company, is a director of KLP and SKL and a substantial shareholder of SKL. Gooi Seong Chneh and Gooi Seong Gum, both are Executive Directors and a Major shareholder of the Company, are directors of KLP and SKL and a substantial shareholder of SKL. Gooi Khai Chien is an Alternate Director to Gooi Seong Lim of the Company. Gooi Chuen Kang is an Alternate Director to Gooi Seong Heen of the Company.	7,499,517

The Company is seeking a shareholders' mandate for recurrent related party transactions of a revenue in nature or trading nature pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Securities at the forthcoming AGM.

This Statement is made in accordance with a resolution of the Board dated 22 May 2017.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

This Statement on Risk Management & Internal Control is made pursuant to the Code and Paragraph 15.26 (b) of the Listing Requirements with regards to the Group's state of internal control.

The Board of Directors ("the Board") of KIM LOONG RESOURCES BERHAD ("KLR" or "the Company") is pleased to present below its Statement on Risk Management & Internal Control as a Group for the financial year under review, prepared in accordance with the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Companies' ("the Guidelines") issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities and taking into consideration the recommendations underlying Principle 6 of the Code.

BOARD RESPONSIBILITIES

The Board affirms its overall responsibilities for the Group's system of risk management and internal control, and for reviewing the adequacy and integrity of the Group's risk management and internal control system. The Board's responsibility in relation to the system of risk management & internal control is embedded in all aspects of the Group's activities and encompasses all subsidiaries of the Company.

The Board has received assurance from the Managing Director and Finance Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

However, as there are inherent limitation in any system of risk management and internal control, such system put into effect by Management can only manage but not eliminate all risk that may impede the achievement of the Group's business objectives.

Therefore, the risk management and internal control system can only provide reasonable assurance and not absolute assurance against material misstatement or loss. The process to identify, evaluate and manage the significant risks is a concerted and continuing effort throughout the financial year under review.

The Board sets the policy on internal controls after conducting a proper assessment of operational and financial risks by considering the overall control environment of the organisation and an effective monitoring mechanism. The Managing Director and his management carried out the process of implementation and maintenance of the control systems. Except for insurable risks where insurance covers are purchased, other risks are reported on a general reporting basis and managed by the respective Committees within the Group.

KEY FEATURE OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The responsibility for reviewing the adequacy and integrity of the risk management and internal control system has been delegated by the Board to the Audit Committee. On a periodic basis, the Audit Committee assesses the adequacy and integrity of the risk management and internal control system through independent reviews conducted and reports it received from the Internal Auditors, the External Auditors and Management. Significant risk management and internal control matters were brought to the attention of the Audit Committee.

The Audit Committee then in turn reports such matters to the Board, if the Audit Committee deems such matters warrant the Board's attention.

Key elements of the Group's risk management and internal control system that have been established to facilitate the proper conduct of the Group's businesses are described below:

i. Control Environment

- **Policies & Procedures**

  Clearly defined policies and procedures are in place and are undergoing constant improvements to ensure that they continue to support the Group's business activities as the Group continues to grow.

- **Operations Review and Monitoring**

  Operations of the Group are constantly monitored with up-to-date reports being presented by the Management, which reviews the performance of the Group against budget and prior year performance on a quarterly basis. Variances are carefully analysed and corrective actions are taken where necessary. Detailed reports on performance review with steps to be taken are presented to Executive Directors periodically.

  The General Manager and Executive Directors regularly visit the Group's estates. During the visits, the Estate Managers report on the progress and performance, discuss and resolve the estates' operational and key management issues.

  The Executive Directors also monitor the performance of the business units through reports produced by the external Planting Advisors. The roles of the Planting Advisors and Agronomist are to ensure that the technical aspects of all estates under the Group are based on current best practices in plantation management.

  The milling operations are regularly visited by the Managing Director, Executive Directors and the General Manager. During the visits, they discuss and resolve all operational and key management issues faced by the mill managers.

- **Organisation Structure and Authorisation Procedures**

  The Group maintains a formal organisational structure with clear lines of reporting to the Board, Committees and Senior Management with defined roles and responsibilities, authority limits, review and approval procedures and proper segregation of duties which supports the maintenance of a strong control environment.

  Specific responsibilities have been delegated to relevant Committees, all of which have formalised terms of reference.

  These Committees have the authority to examine all matters within their scope and report to the Executive Chairman, Managing Director and Executive Directors with their recommendations.

- **Human Capital Policy**

  Guidelines on employment, performance appraisal, training and retention of employees are in place, to ensure that the Group has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively.

  Emphasis is being placed on enhancing the quality and ability of employees through training and development.

  Employees' competencies are assessed annually through the annual appraisal system and subsequently, further development and training requirements are highlighted for Heads of Departments and business units for follow up.

- **Management Style**

  The Board relies on the experience of the Executive Chairman, Managing Director, Executive Directors and the respective business units' management teams to run and manage the operations and businesses of the Group in an effective and efficient manner.

  The Executive Chairman, Managing Director and management adopt a "hands on" approach in managing the businesses of the Group. This enables the timely identification and resolution of any significant issues arising.

- **Quality Control**

  Strong emphasis is placed on ensuring that the Group adheres to health, safety and environmental regulations as required by the various authorities.

- **Other Key Elements of Internal Control**

  Other key elements of procedures established by the Board which provide effective internal control include:

  - Centralised functions of finance, treasury administration, human resource, agronomic, marketing and bulk purchases to ensure that uniform policies and procedures are implemented throughout the Group.
  - Regular site visits to the operations within the Group by the Executive Chairman, Managing Director and Executive Directors and Senior Management.
  - The Finance Department monitors the activities and performance of the subsidiaries through the monthly management accounts and ensures control accounts are reconciled with the subsidiaries records.
  - Adequate insurance and physical safeguarding of major assets are in place to ensure these assets are sufficiently covered against any mishap that may result in material losses to the Group.
  - The documented policies and procedures form an integral part of the internal control system to safeguard the Group's assets against material losses and ensure complete and accurate financial information. The documents consist of memoranda, circulars, manuals and handbooks that are regularly revised and updated to meet operational needs.
  - Proposals for major capital expenditures of the Group are reviewed and approved by the Executive Directors.
  - Regular Board and management meetings to assess performance of business units.
  - All recurrent related party transactions are dealt with in accordance with the Listing Requirements of Bursa Securities. The Audit Committee and the Board review the recurrent related party transactions at the respective meetings of the Audit Committee and the Board.
  - Reporting mechanism whereby Executive Directors receive monthly performance and plantation statistics with explanation and justification.

- **Code of Business Conduct and other related Policies**

  In addition, the following Internal Control component have been embedded and defined in the CG Manual to assist the Board in maintaining sound internal control system:

  - Code of Ethics and Conduct (Code of Business Conduct) defines acceptable behaviour for staff in dealing with key stakeholders. The Code is made available to all staff through their respective Head of Department.
  - Corporate Integrity Policy - Anti Fraud Policy have been developed to define consistent and clear process focussed on the prevention, detection and management of fraud and applies to any irregularity, or suspected irregularity, involving employees as well as shareholders, consultants, vendors, contractors, external parties doing business with employees with the Group.
  - Whistle Blowing Policy had been formulated to encourage, and provide a channel to employees to report in good faith and in confidence, without fear of reprisals, of concerns about possible improprieties. Allegations of improprieties which had been reported via the whistle blowing channel are appropriately followed up upon and the outcome(s) reported at the Audit Committee meetings.

ii. Risk Management Framework

The Board recognises that risk management is an integral part of the Group's business operations and is important for the achievement of its business objectives. The Group has established a Risk Management Committee ("RMC") that is chaired by the Managing Director and its members comprising the Executive Directors, Heads of Divisions & Departments ("HODS") and staff from key operations. They have also been trained to identify the risks relating to their areas, the likelihood of these risks occurring, the consequences if they do occur, and the actions being and/or to be taken to manage these risks to the desired level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register. The risk registers are eventually compiled to form the Group Risk Profile for reporting to the RMC and the Audit Committee.

Ongoing risk management education and training is provided at Management and staff level by members of the RMC.

Market Risk Management

Market risks refer to the risks resulting from economic and regulatory conditions.

The Group expansion into new area and activities is a risk. Such expansion entails added risks given their different operating and economic environments. Nevertheless, the Group continues to monitor the identified market risks whilst it continues to complete its expansion project.

Commodity risk arises from the volatility of commodity prices including currency fluctuations. The Group manages such risk by constantly monitoring the commodity prices, hedging through forward sales, commodity futures and CPO swaps and close monitoring of pricing trends of major substitutes such as oils and fats.

The Group's businesses are governed by relevant laws, regulations, standards and licenses. The Group manages the regulatory risks by implementing appropriate policies, procedures, guidelines, and contracts management, as well as maintaining regular communication with the authorities to ensure compliance at all times.

Credit and Liquidity Risk Management

These risks arise from the inability to recover debts in a timely manner which may adversely affect the Group's profitability, cash flows and funding. The Group minimises such exposures by assessing the creditworthiness of potential customers, close monitoring of collections and overdue debts, and effective credit utilisation to keep leverage at a comfortable level.

Operational Risk Management

Operational risks arise from the execution of a company's business including risks of systems and equipment failure, overcapacity situations, inadequate skilled workforce and adverse climatic conditions. The Group strictly adheres to policies, procedures, quality controls and best practices to ensure that all systems and equipment are functional. To manage overcapacity issues, the Group constantly reviews its business plans and seeks alternative uses for excess capacity.

The Group had in place remuneration schemes to attract and retain its workforce to meet existing and future needs. To cope with the adverse climatic conditions affecting the Group's operations, the Group strictly follows the requirements of the planting manual, employs good agricultural practices, water conservation and irrigation measures to sustain high production yields.

iii. Internal Audit Function

The roles, responsibilities and activities of the Internal Audit functions are described and detailed on pages 60 to 64 under Audit Committee Report of this Annual Report.

There were neither major weaknesses in the system identified during the year, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Annual Report. Those areas of non-compliance with the procedures and policies and those which require improvements as highlighted by the Internal Auditors during the period have been, or are being addressed.

iv. Information and Communication

Information critical to meeting Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and resolution on a timely basis.

v. Review and Monitoring Process

The Group's management teams carry out monthly monitoring and review of the Group's operations and performance, including financial results and forecasts for all business operations within the Group.

In addition to the above, scheduled and ad-hoc meetings are held at operational and management levels to identify, discuss and resolve business and operational issues as and when necessary. The Board monitors the Group's performance by reviewing its quarterly results and operations, and examines the announcement to Bursa Securities. These are usually reviewed by the Audit Committee before they are tabled to the Board for approval.

CONFIDENTIAL REPORTING

The Group's whistleblowing policy enables staff, in confidence, to raise concerns about possible improprieties in financial and other matters and to do so without fear of reprisal. Details of the policy are set out in the Company's Code of Ethics. The Audit Committee receives reports on whistleblowing incidents and remains satisfied that the procedures in place are satisfactory to enable independent investigation and follow up action of all matters reported. No major issues have been reported in financial year 2017 (major issues being defined for this purpose as matters having a financial impact greater than RM10,000).

ASSURANCE PROVIDED BY THE MANAGING DIRECTOR AND FINANCE DIRECTOR

In line with the Guidelines, the Managing Director and Finance Director have provided assurance to the Board that the Group's risk management and internal control systems have been operated adequately and effectively, in all material aspects, to meet the Group's business objectives during the financial year under review.

The Managing Director and the Finance Director have in turn obtained relevant assurance from the business heads in the Group.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Listing Requirements of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 January 2017. Their review was performed in accordance with Recommended Practice Guide 5 (RPG 5) issued by the Malaysian Institute of Accountants.

The External Auditors have opined to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group.

RPG 5 does not require the External Auditors to and they did not consider whether this statement covers all risks and controls or to form an opinion on the effectiveness of the Group's risk management and internal control system.

CONCLUSION

The Board is of the view that the system of internal control in place throughout the year under review is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators, employees of the Group and to facilitate the expansion of its operations. Additionally, the Board regards the risks faced by the Group are within acceptable levels to the business environment within which the Group operates.

There were no material losses or fraud during the current financial year as a result of internal control failures and the Board and Management are continuously taking measures to improve and strengthen the internal control framework and environment of the Group.

This Statement is made in accordance with a resolution of the Board of Directors dated 22 May 2017.

REPORT OF THE AUDIT COMMITTEE

The Board of Directors of Kim Loong Resources Berhad is pleased to present the Report of the Audit Committee which lays out the activities held throughout the financial year ended 31 January 2017 and in compliance with Paragraph 15.15 (1) of the Listing Requirements of Bursa Securities.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee presently comprises three (3) Directors of the Board, all of whom are Independent Non-Executive Directors.

The members are:

Chairman	:	Gan Kim Guan
Members	:	Chan Weng Hoong
		Cheang Kwan Chow
Secretaries	:	Chong Fook Sin, Kan Chee Jing, Chua Yoke Bee

MEMBERSHIP

The Audit Committee is appointed by the Board of Directors from amongst the Non-Executive Directors and consists of three (3) members, all of whom are Independent Non-Executive Directors.

The Chairman of the Audit Committee, Mr. Gan Kim Guan, is a member of the Malaysian Institute of Accountants ("MIA") and has therefore complied with Paragraph 15.09(1)(c)(i) of the Listing Requirements.

MEETINGS

During the financial year 2017, the Audit Committee held a total of five (5) meetings with the attendance of the Finance Director, Financial Controller, Head of Internal Audit, senior representative of the External Auditors and the Company Secretaries.

A quorum consists of two (2) members present and both of whom must be Independent Directors. Other Board members and Senior Management may attend meetings upon the invitation of the Audit Committee. Both the Internal and External Auditors, too, may request a meeting if they consider that one is necessary.

During the financial year, the Chairman of the Audit Committee had engaged on a continuous basis with Senior Management, Head of Internal Audit and the External Auditors, in order to keep abreast of matters and issues affecting the Group.

The Company Secretary acts as the secretary to the Audit Committee. Minutes of each meeting are distributed electronically to each Board member, and the Chairman of the Audit Committee reports on key issues discussed at each meeting to the Board.

Details of the Audit Committee members' attendance are tabled below:

Member	Total number of meetings held in the financial year during Member's tenure in Office	Meeting attended by member
Gan Kim Guan	5	5
Chan Weng Hoong	5	5
Cheang Kwan Chow	5	5

TERMS OF REFERENCE

The details of the terms of reference of the Audit Committee are available on the Company's website at www.kimloong.com.my

SUMMARY OF WORKS OF THE AUDIT COMMITTEE

The Audit Committee met at scheduled times with due notices of meetings issued, and with agenda planned and itemised so that issues raised were deliberated and discussed in a focussed and detailed manner.

During the financial year 2017, the Audit Committee discharged its duties and responsibilities in accordance with its terms of reference.

The Chairman of the Committee reported on each meeting to the Board. Detailed audit reports by the External Auditors, Internal Auditors and the respective Management response were circulated to members of the Committee before each meeting.

The works undertaken by the Audit Committee were as follows:

Financial and Operations Review

- Reviewed and recommended for the Board's approval the quarterly reports for announcement to Bursa Securities in compliance with the Financial Reporting Standards and adhered to other legal and regulatory requirements;
- Reviewed the annual audited financial statements of the Group and of the Company. The Audit Committee discussed with the management and the External Auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements;
- Reviewed the impact of new or proposed changes in accounting standards and regulatory requirements of the Company; and
- Reviewed the application of the corporate governance principles and the extent of the Group's compliance with the Code in conjunction with the preparation of the Statement on Corporate Governance and Statement on Risk Management & Internal Control.

External Audit

- Reviewed the External Auditors' annual audit plan and audit strategy for the financial year ended 31 January 2017 to ensure their scope of work adequately covered the activities of the Group and the Company;
- Discussed with the management and the External Auditors the Financial Reporting Standards applicable to the financial statements of the Group and of the Company that were applied and their judgement of the items that may affect the financial statements;
- Reviewed with the External Auditors, the result of the audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of the audit that required appropriate actions and the Management's responses thereon;
- Inquired the External Auditors whether they have become aware of any items relating to the detection of material illegal acts or material related party transactions during the course of their procedures.
- Reviewed and evaluated the External Auditors' performance, objectivity and independence during the year before recommending to the Board for reappointment and remuneration;
- Held independent meeting (without the presence of Management) with the External Auditors; and
- Reviewed and approved the provision of non-audit services by the external auditors that were agreed to prior to their commencement of such work and confirmed as permissible for them to undertake, as provided under the By-Laws of the Malaysian Institute of Accountants. The amount of audit and non-audit fee incurred for the financial year ended 31 January 2017 were as follows:

Fees Incurred	Audit Fees RM	Non-Audit Fees RM
The Company	57,000	6,000
The Group	275,500	6,000

Report of the Audit Committee
(cont'd)

Internal Audit

- Reviewed and approved the Internal Auditors' plans for the financial year to ensure adequate coverage over the activities of the respective subsidiaries;
- Reviewed the internal audit reports presented by the Internal Auditors on findings, recommendations and management responses thereto and ensured that material findings were adequately addressed by Management and reported relevant issues to the Board;
- Held independent meeting (without the presence of Management) with the Internal Auditors;
- Reviewed whistleblowing activities to monitor the actions taken by the Group in respect of whistleblowing reports received; and
- Monitored the implementation of the audit recommendation to ensure all the key risks and controls have been addressed.

Risk Management

- Reviewed the outcome of the risk management programme, including key risks identified, the potential impacts and the likelihood of the risks occurring, existing controls which can mitigate the risks and action plans; and
- Reviewed the Risk Management Committee's reports and assessment.

Related Party Transactions

- The Audit Committee reviewed all significant related party transactions and recurrent related party transactions entered by the Group and the Company to ensure that such transactions are undertaken at arm's length basis on normal commercial terms which are not detrimental to the interests of the minority shareholders of the Company and the internal control procedures employed are both sufficient and effective before recommending to the Board for approval.

Reporting Responsibilities

- Regularly reports to the Board of Directors about the Committee's activities, issues and related recommendations.
- Provides an open avenue of communication between the Internal Auditors, the External Auditors and the Board of Directors.
- Reports annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged and any other information required by Listing Requirements, including approval of non-audit services.
- Reviewed any other reports the Company issues that relate to the Committee's responsibilities.

Site Visits

The Audit Committee members visited the site of following subsidiaries to have a better understanding of the Group's business operations:

- Kim Loong Palm Oil Mills Sdn Bhd
- Winsome Al-Yatama Sdn Bhd
- Desa Okidville Sdn Bhd
- Okidville Holdings Sdn Bhd
- Desa Kim Loong Palm Oil Sdn Bhd

TRAINING

During the year, Audit Committee members attended various seminars, training programmes and conferences as tabulated below:

Name	Organiser	Topic / Title	Date
Gan Kim Guan	Coalition for Business Integrity Berhad	Navigating Updates An Essential Guide for Listed Issuers	23 Aug 2016
	Bursa Malaysia & The Malaysian Institute of Chartered Secretaries and Administrators	Corporate Governance Breakfast Series - How to Leverage on AGMs for Better Engagement with Shareholders	21 Nov 2016

Name	Organiser	Topic / Title	Date
Gan Kim Guan	Bursa Malaysia	There's Something for Everyone on Bursa Malaysia	8 Dec 2016
	Bursa Malaysia	CG Breakfast Series with Directors "Anticorruption & Integrity - Foundation of Corporate Sustainability: Nathan Bush, O'Melveny & Myers LLP	8 Dec 2016
Chang Weng Hoong	The Incorporated Society of Planters	Soil and Plantation Management Series - Unlocking knowledge to Maximise Productivity	16 Feb 2016
Cheang Kwan Chow	Malaysian Institute of Accountants	Customer Focus and Services Excellence	6 & 7 Apr 2016
	Malaysian Institute of Accountants	Understanding and Preparing Consolidated Financial Statements - A Practical Approach for Beginners	11 & 12 Apr 2016
	Malaysian Institute of Accountants	An Overview of Latest Development in MFRS	14 & 15 May 2016
	Crescendo International College	The Companies Act 2016	19 Oct 2016
	Suruhanjaya Syarikat Malaysia	SSM Compass on "Companies Bill 2015 & Interest Schemes Bill 2015	9 Nov 2016

INTERNAL AUDIT FUNCTION

The Group's internal audit function adopts a co-sourcing model whereby risk management, and specialised audits are performed by the Internal Audit Department of the Company's holding company, Sharikat Kim Loong Sendirian Berhad which acts independently from the activities and operations of the Group. KPMG Management & Risk Consulting Sdn Bhd a professional services firm has been appointed to perform risk based internal audit where the results were directly reported to the Audit Committee.

The main purposes of the Internal Auditors are:

- To review effectiveness of the Group's systems of internal controls;
- Assist in reviewing the adequacy, integrity and effectiveness of the Company's internal control system for the Board as well as to assist in drafting the Statement on Risk Management & Internal Control in the Annual Report;
- Support the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritized action plan to further enhance the internal control system;
- Identify the key business processes within the Group and Company that Internal Audit should focus on;
- Allocate necessary resources to selected areas of audit in order to provide management and the Audit Committee an effective and efficient level of internal audit coverage; and
- Coordinate risk identification and risk management processes and activities.

The Internal Auditors adopt a risk based auditing approach by focusing on identified high risk areas for compliance with control policies and procedures, identifying business risk which have not been appropriately addressed and evaluating the adequacy and integrity of controls and statutory requirements. Submission of the audit results to the Management and the Audit Committee would ensure that the Management is compliant with the internal control systems and implementing continuous improvement.

Report of the Audit Committee
(cont'd)

During the financial year under review, the Internal Auditors carried out periodic internal audit reviews in accordance with the approved internal audit plan to monitor compliance with the Group's procedures and to review the adequacy and effectiveness of the Group's system of risk management and internal control. The results of these reviews have been presented to the Audit Committee at their scheduled meetings. Follow up reviews were also conducted to ensure that the recommendations for improvement have been implemented by Management on a timely basis.

The Internal Auditors communicate regularly and report directly to the Audit Committee on their activities based on the approved Annual Internal Audit Plan to ensure their independent status within the Group. The Internal Auditors are also invited to attend all meetings of the Audit Committee. The total cost incurred in respect of the internal audit function during the financial year was approximately RM193,000.

The Internal Auditors assisted the Audit Committee in discharging its duties and responsibilities with respect to adequacy and integrity of internal control within the Group. The Internal Auditors undertook the following works in accordance with the approved Audit Plan:

i. Carrying out the internal auditing of the Group's subsidiaries.
ii. Facilitating the improvement of business processes within the Group.
iii. Establishing a follow up process in monitoring the implementation of audit recommendation by Management.
iv. Monitoring the effectiveness of the Group's risk management systems by reviewing the implementation of the risk assessment action plans by Management.
v. Conducting investigation audits or special assignment from time to time as requested by Management.

CONCLUSION

During the financial year, the Audit Committee carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the Internal Auditors, External Auditors and relevant members of Management. The Audit Committee is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

This Report is made in accordance with a resolution of the Board of Directors dated 22 May 2017.

REPORT OF THE REMUNERATION COMMITTEE

COMPOSITION OF MEMBERS

Members

The Committee comprises the following members:

Chairman	:	Gan Kim Guan
Members	:	Gooi Seong Lim
		Chan Weng Hoong
		Cheang Kwan Chow
Secretaries	:	Chong Fook Sin, Kan Chee Jing, Chua Yoke Bee

TERMS OF REFERENCE

(1) Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of at least three (3) Directors, wholly or a majority of whom are Non-Executive Directors.

The members of the Committee shall elect the Chairman from amongst their members who shall be a Non-Executive Director.

The quorum shall be two (2) members, a majority of whom shall be Non-Executive Directors.

The Company Secretaries shall be the Secretaries of the Committee.

(2) Frequency of Meetings

Meetings shall be held not less than once a year.

(3) Authority

The Committee is authorised to draw advice from outside as and when necessary in forming its recommendation to the Board on the remuneration of the Executive Directors in all its forms. Executive Directors should play no part in deciding their own remuneration and should abstain from discussion of their own remuneration.

(4) Duty

The duty of the Committee is to recommend to the Board the structure and level of remuneration of Executive Directors.

(5) Reporting Procedures

The Company Secretaries shall circulate the minutes of meetings of the Committee to all members of the Board.

SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Committee met once during the financial year 2017. The attendance of the members of the Committee of the meetings is as follows:

Member	Total number of meetings held in the financial year during Member's tenure in Office	Meeting attended by member
Gan Kim Guan	1	1
Gooi Seong Lim	1	1
Chan Weng Hoong	1	1
Cheang Kwan Chow	1	1

The main activities undertaken by the Committee during the year under review were as follows:

- Reviewed the structure of the remuneration package for each of the Executive Directors; and
- Reviewed the performance bonuses for each of the Executive Directors.

This Report is made in accordance with a resolution of the Board of Directors dated 22 May 2017.

REPORT OF THE NOMINATING COMMITTEE

COMPOSITION OF MEMBERS

Members

The Committee comprises the following members:

Chairman	:	Gan Kim Guan
Members	:	Chan Weng Hoong
		Cheang Kwan Chow
Secretaries	:	Chong Fook Sin, Kan Chee Jing, Chua Yoke Bee

TERMS OF REFERENCE

The details of the terms of reference of the Nominating Committee are available on the Company's website at www.kimloong.com.my

SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Committee met once during the financial year 2017.

The attendance of the members of the Committee of the meetings is as follows:

Member	Total number of meetings held in the financial year during Member's tenure in Office	Meeting attended by member
Gan Kim Guan	1	1
Chan Weng Hoong	1	1
Cheang Kwan Chow	1	1

The main activities undertaken by the Committee during the year under review were as follows:

a) Reviewed the re-election of Directors retiring at the AGM under Article 77 of the Articles of Association of the Company;
b) Assessed the independence of Independent Directors.
c) Reviewed the composition and the required mix of skills, experience and other qualities of the Board and gender diversity;
d) Reviewed the effectiveness of the Board as a whole, the Board Committees and contribution of each Director;
e) Reviewed and recommended retention of Independent Directors who have served for a cumulative period of nine years; and
f) Reviewed the nomination of Alternate Directors.

This Report is made in accordance with a resolution of the Board of Directors dated 22 May 2017.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2017.

Principal activities

The principal activities of the Company are those of cultivation of oil palm and investment holding. The principal activities and other information relating to the subsidiaries are disclosed in Note 16 to the financial statements.

Results

	Group RM	Company RM
Profit net of tax	85,687,553	55,807,689
Profit net of tax attributable to:		
Owners of the Company	71,118,296	55,807,689
Non-controlling interests	14,569,257	-
	85,687,553	55,807,689

Reserves and provisions

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

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

Dividends

The amounts of dividends paid by the Company since 31 January 2016 were as follows:

	RM
In respect of the financial year ended 31 January 2016 :	
- Final single-tier dividend of 6 sen per share on 311,211,569 ordinary shares, paid on 29 August 2016	18,672,694
In respect of the financial year ended 31 January 2017:	
- Interim single-tier dividend of 7 sen per share on 311,211,569 ordinary shares, paid on 21 November 2016	21,784,810
- Special single-tier dividend of 5 sen per share on 311,201,569 ordinary shares, paid on 15 February 2017	15,560,079
	56,017,583

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 January 2017, of 8 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 January 2018.

The proposed final dividend of RM24,896,126 is subject to change in proportion to the changes in the Company's issued and paid up capital, if any.

Directors

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

Gooi Seong Lim	
Gooi Seong Heen	
Gooi Seong Chneh	
Gooi Seong Gum	
Gan Kim Guan	
Chan Weng Hoong	
Cheang Kwan Chow	
Gooi Khai Chien	(Appointed on 31.3.2016 as Alternate Director to Gooi Seong Lim)
Gooi Chuen Kang	(Appointed on 31.3.2016 as Alternate Director to Gooi Seong Heen)

Directors' benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

Indemnifying Directors, Officers or Auditors

No indemnities have been given or insurance premium paid, during or since the end of the year, for any person who is or has been the Director, Officer or Auditors of the Company.

Directors' interests

The following Directors who held office at the end of the financial year had, according to the register of Directors' shareholdings, interests in shares in the Company and its related corporations as stated below:

	Number of ordinary shares			
The Company	**1.2.2016/ date of appointment**	**Acquired**	**Sold**	**31.1.2017**
Gooi Seong Lim				
- direct interest	683,552	-	-	683,552
- indirect interest	199,442,101	-	-	199,442,101
Gooi Seong Heen				
- direct interest	1,767,912	-	-	1,767,912
- indirect interest	198,106,102	-	-	198,106,102
Gooi Seong Chneh				
- direct interest	1,627,912	-	-	1,627,912
- indirect interest	198,106,102	-	-	198,106,102
Gooi Seong Gum				
- direct interest	132,600	-	-	132,600
- indirect interest	198,162,102	-	-	198,162,102
Gooi Khai Chien				
- indirect interest	999,999	-	-	999,999

Directors' interests (cont'd)

	Number of ordinary shares			
Holding company	**1.2.2016**	**Acquired**	**Sold**	**31.1.2017**
Sharikat Kim Loong Sendirian Berhad				
Gooi Seong Lim				
- direct interest	22,125	-	-	22,125
- indirect interest	11,250	-	-	11,250
Gooi Seong Heen				
- direct interest	22,125	-	-	22,125
- indirect interest	11,250	-	-	11,250
Gooi Seong Chneh				
- direct interest	22,125	-	-	22,125
- indirect interest	11,250	-	-	11,250
Gooi Seong Gum				
- direct interest	22,125	-	-	22,125
- indirect interest	11,250	-	-	11,250

	Number of ordinary shares			
Related corporation	**1.2.2016**	**Acquired**	**Sold**	**31.1.2017**
Crescendo Corporation Berhad				
Gooi Seong Lim				
- direct interest	1,130,452	-	-	1,130,452
- indirect interest	196,063,786	-	-	196,063,786
Gooi Seong Heen				
- direct interest	4,559,121	-	-	4,559,121
- indirect interest	192,216,114	-	-	192,216,114
Gooi Seong Chneh				
- direct interest	4,144,124	-	-	4,144,124
- indirect interest	192,148,114	-	-	192,148,114
Gooi Seong Gum				
- indirect interest	192,148,114	-	-	192,148,114

Directors' interests (cont'd)

Related corporation	**1.2.2016**	**Number of ordinary shares** **Acquired**	**Sold**	**31.1.2017**
Crescendo Overseas Corporation Sdn. Bhd.				
Gooi Seong Lim				
- direct interest	12,250	-	-	12,250
- indirect interest	51,000	-	-	51,000
Gooi Seong Heen				
- direct interest	12,250	-	-	12,250
- indirect interest	51,000	-	-	51,000
Gooi Seong Chneh				
- direct interest	12,250	-	-	12,250
- indirect interest	51,000	-	-	51,000
Gooi Seong Gum				
- direct interest	12,250	-	-	12,250
- indirect interest	51,000	-	-	51,000

Related corporation	**1.2.2016**	**Number of ordinary shares** **Acquired**	**Sold**	**31.1.2017**
Panoramic Housing Development Sdn. Bhd.				
Gooi Seong Lim				
- direct interest	5,700	-	-	5,700
- indirect interest	1,444,200	-	-	1,444,200
Gooi Seong Heen				
- direct interest	5,700	-	-	5,700
- indirect interest	1,444,200	-	-	1,444,200
Gooi Seong Chneh				
- direct interest	5,700	-	-	5,700
- indirect interest	1,444,200	-	-	1,444,200
Gooi Seong Gum				
- direct interest	5,700	-	-	5,700
- indirect interest	1,444,200	-	-	1,444,200

Directors' Report
(cont'd)

Directors' interests (cont'd)

By virtue of their interests in the shares in the holding company, Sharikat Kim Loong Sendirian Berhad, Gooi Seong Lim, Gooi Seong Heen, Gooi Seong Chneh and Gooi Seong Gum are also deemed to have interests in the shares in the Company and its related corporations to the extent that the holding company has interests.

The other Directors in the office at the end of the financial year had no interest in shares in the Company and its related corporations during the financial year.

Issue of shares, share options and debentures

The Company did not issue any new shares or debentures or grant any share options during the financial year and there were no unissued shares under option at the end of the year.

Treasury shares

During the financial year, the Company repurchased 20,000 ordinary shares from the open market at an average price of RM3.37 per share. The total consideration paid for the repurchase including transaction costs was RM67,991. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

At 31 January 2017, the Company held as treasury shares a total of 602,000 of its 311,803,569 issued ordinary shares. Such treasury shares are held at a carrying amount of RM1,625,853 and further relevant details are disclosed in Note 24(b) to the financial statements.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

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

  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) As at the date of this report, there does not exist:

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

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

Other statutory information (cont'd)

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

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

Holding and ultimate holding company

The Directors regard Sharikat Kim Loong Sendirian Berhad, a company incorporated in Malaysia, as the Company's holding and ultimate holding company.

Auditors and auditors' remuneration

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

Auditors' remuneration are disclosed in Note 8 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 May 2017.

Gooi Seong Heen

Gooi Seong Chneh

STATEMENT BY DIRECTORS

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

We, Gooi Seong Heen and Gooi Seong Chneh, being two of the Directors of Kim Loong Resources Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 79 to 141 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2017 and of their financial performance and cash flows for the year then ended.

The information set out in Note 40 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 May 2017.

Gooi Seong Heen

Gooi Seong Chneh

STATUTORY DECLARATION

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

I, Chow Kok Hiang, being the Officer primarily responsible for the financial management of Kim Loong Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 79 to 142 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Chow Kok Hiang at)
Johor Bahru in the State of)
Johor Darul Ta'zim on 22 May 2017)

Chow Kok Hiang

Before me,

LIM JIT NGOH
No. J 265
Commissioner for Oaths
Johor Bahru

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIM LOONG RESOURCES BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statement s of Kim Loong Resources Berhad, which comprise the statements of financial position as at 31 January 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 79 to 141 .

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 January 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 audit opinion.

Independence and other ethical responsibilities

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

Key audit matters

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

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

(a) Revenue Recognition

(Refer to Notes 2.21 and 4 to the financial statements).

Revenue from sale of finished goods recognised by the Group during the year amounted to RM892.6 million. Given the nature of the business operations of the Group, we identified revenue recognition in respect of Crude Palm Oil ("CPO") to be an area of audit focus as we consider the high volume of transactions to be a possible cause of higher risk of material misstatements in the timing and amount of revenue recognised. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

<u>How our audit addressed the matter</u>

Our audit procedures for revenue recognition included testing the Group's internal controls over timing and amount of revenue recognised. We inspected the terms of significant sales contracts to determine the point of transfer of significant risk and rewards. We inspected documents which evidenced the delivery of goods to customers. We also focused on testing the recording of sales transactions close to the year end, including credit notes issued after year end, to establish whether the transactions were recorded in the correct accounting period.

Key audit matters (cont'd)

(b) Biological Assets

(Refer to Notes 2.9 and 15 to the financial statements).

During the current financial year, the Group incurred plantation expenditure amounting to RM25.8 million for operations with mature and immature oil palm plantations. Of this amount, RM3.4 million relating to pre-cropping (i.e. new planting and replanting) expenditure was capitalised as part of biological assets. Due to the significance of the expenditure incurred, we consider this to be an area requiring audit focus. Specifically, we focused our audit efforts to determine whether the capitalisation of pre-cropping expenditure was made in accordance with the Group's policy and whether any expenditure incurred ought to be expensed to the profit or loss.

<u>How our audit addressed the matter</u>

Our audit procedures to address this area of focus included amongst others:

(a) testing the effectiveness of the internal controls at estate level in respect of recording and categorisation of pre-cropping expenditure. We inspected documents such as contracts with suppliers to support the expenditure incurred such as land clearing, seedling, labour and manuring costs;

(b) testing the allocation of expenditure by fields categorised by matured and immature fields; and

(c) testing whether the expenditure incurred on matured fields were appropriately expensed to the profit or loss.

Information other than the financial statements and auditors' report thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not 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.

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

Responsibilities of 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 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.

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

(a) 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.

(b) 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 Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

(e) 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.

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

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

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

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

Independent Auditors' Report

to the members of Kim Loong Resources Berhad (Incorporated in Malaysia) (cont'd)

Other reporting responsibilities

The supplementary information set out in Note 40 to the financial statements on page 142 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF 0039
Chartered Accountants

Lee Ming Li
2983 / 03 / 18(J)
Chartered Accountant

Johor Bahru, Malaysia
Date: 22 May 2017

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	4	892,593,186	757,730,390	22,329,132	18,896,117
Cost of sales	5	(755,215,114)	(619,678,486)	(9,518,252)	(10,118,794)
Gross profit		137,378,072	138,051,904	12,810,880	8,777,323
Other items of income	6	12,554,565	9,900,255	61,279,209	66,898,391
Other items of expense					
Distribution cost		(14,883,037)	(18,405,683)	(1,185,796)	(1,087,445)
Administrative expenses		(20,396,740)	(17,819,725)	(12,272,953)	(15,165,769)
Finance costs	7	(1,471,605)	(1,047,848)	-	-
Other expenses		(2,016,543)	(3,099,539)	(198,124)	(175,734)
Profit before tax	8	111,164,712	107,579,364	60,433,216	59,246,766
Tax	11	(25,477,159)	(21,915,429)	(4,625,527)	(3,803,828)
Profit net of tax		85,687,553	85,663,935	55,807,689	55,442,938
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Net movement on cash flow hedge		184,554	-	-	-
Tax relating to cash flow hedge		(44,293)	-	-	-
Other comprehensive income for the year, net of tax		140,261	-	-	-
Total comprehensive income for the year		85,827,814	85,663,935	55,807,689	55,442,938
Profit net of tax attributable to:					
Owners of the Company		71,118,296	73,782,521	55,807,689	55,442,938
Non-controlling interests		14,569,257	11,881,414	-	-
		85,687,553	85,663,935	55,807,689	55,442,938
Total comprehensive income attributable to:					
Owners of the Company		71,258,557	73,782,521	55,807,689	55,442,938
Non-controlling interests		14,569,257	11,881,414	-	-
		85,827,814	85,663,935	55,807,689	55,442,938
Earnings per share attributable to owners of the Company (sen per share):					
- Basic	12	22.85	23.71		
- Diluted	12	N/A	N/A		

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2017

	Note	2017 RM	2016 RM
Assets			
Non-current assets			
Property, plant and equipment	13	389,460,490	394,724,514
Land use rights	14	2,108,149	2,248,458
Biological assets	15	81,357,241	84,988,518
Deferred tax assets	23	13,300,000	13,522,000
		486,225,880	495,483,490
Current assets			
Inventories	17	39,578,904	43,956,339
Trade and other receivables	18	28,555,925	28,430,535
Prepayments		6,185,675	5,293,420
Tax recoverable		2,707,565	415,226
Derivatives	19	184,554	-
Cash and bank balances	20	285,520,889	231,474,848
		362,733,512	309,570,368
Total assets		848,959,392	805,053,858
Equity and liabilities			
Current liabilities			
Trade and other payables	21	67,283,673	51,759,073
Loans and borrowings	22	17,559,508	17,724,672
Dividend payable		15,560,079	-
Tax payable		4,545,755	3,602,498
		104,949,015	73,086,243
Net current assets		257,784,497	236,484,125
Non-current liabilities			
Other payables	21	187,898	271,693
Loans and borrowings	22	17,555,000	25,595,000
Deferred tax liabilities	23	52,821,742	51,887,425
		70,564,640	77,754,118
Total liabilities		175,513,655	150,840,361
Net assets		673,445,737	654,213,497
Equity attributable to owners of the Company			
Share capital	24	311,803,569	311,803,569
Share premium	25	6,626,014	6,626,014
Treasury shares	24(b)	(1,625,853)	(1,557,862)
Other reserves	26	38,477,473	39,169,756
Retained earnings		238,067,505	223,921,427
		593,348,708	579,962,904
Non-controlling interests		80,097,029	74,250,593
Total equity		673,445,737	654,213,497
Total equity and liabilities		848,959,392	805,053,858

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

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2017

	Note	2017 RM	2016 RM
Assets			
Non-current assets			
Property, plant and equipment	13	70,322,206	71,158,313
Biological assets	15	16,591,474	14,950,154
Investments in subsidiaries	16	46,169,213	45,919,213
Other receivables	18	121,532,899	91,490,669
		254,615,792	223,518,349
Current assets			
Inventories	17	316,894	241,788
Trade and other receivables	18	8,742,000	46,238,433
Prepayments		527,488	443,954
Cash and bank balances	20	118,265,012	96,246,750
		127,851,394	143,170,925
Total assets		382,467,186	366,689,274
Equity and liabilities			
Current liabilities			
Trade and other payables	21	3,676,645	3,874,499
Dividend payable		15,560,079	-
Tax payable		703,550	507,050
		19,940,274	4,381,549
Net current assets		107,911,120	138,789,376
Non-current liability			
Deferred tax liabilities	23	13,684,426	13,187,354
Total liabilities		33,624,700	17,568,903
Net assets		348,842,486	349,120,371
Equity attributable to owners of the Company			
Share capital	24	311,803,569	311,803,569
Share premium	25	6,626,014	6,626,014
Treasury shares	24(b)	(1,625,853)	(1,557,862)
Other reserves	26	13,242,305	13,449,029
Retained earnings	29	18,796,451	18,799,621
Total equity		348,842,486	349,120,371
Total equity and liabilities		382,467,186	366,689,274

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

			Attributable to owners of the Company								
					Non-Distributable				Distributable		
	Note	Total equity RM	Total RM	Share capital (Note 24) RM	Share premium (Note 25) RM	Other reserves, total RM	Revaluation reserve (Note 27) RM	Hedging reserve (Note 28) RM	Retained earnings RM	Treasury shares RM	Non-controlling interests RM
At 1 February 2016		654,213,497	579,962,904	311,803,569	6,626,014	39,169,756	39,169,756	-	223,921,427	(1,557,862)	74,250,593
Changes in equity for the year:											
Realisation of revaluation surplus on leasehold land, net of tax	30	-	-	-	-	(832,544)	(832,544)	-	832,544	-	-
Profit net of tax		85,687,553	71,118,296	-	-	-	-	-	71,118,296	-	14,569,257
Other comprehensive income		140,261	140,261	-	-	140,261	-	140,261	-	-	-
Total comprehensive income		85,827,814	71,258,557	-	-	140,261	-	140,261	71,118,296	-	14,569,257
Transactions with owners											
Acquisition from non-controlling interests		-	(1,787,179)	-	-	-	-	-	(1,787,179)	-	1,787,179
Buy-back of shares	24(b)	(67,991)	(67,991)	-	-	-	-	-	-	(67,991)	-
Dividends paid to non-controlling interests		(10,510,000)	-	-	-	-	-	-	-	-	(10,510,000)
Dividends for the year ended											
- 31 January 2016	38	(18,672,694)	(18,672,694)	-	-	-	-	-	(18,672,694)	-	-
- 31 January 2017	38	(37,344,889)	(37,344,889)	-	-	-	-	-	(37,344,889)	-	-
Total transactions with owners		(66,595,574)	(57,872,753)	-	-	-	-	-	(57,804,762)	(67,991)	(8,722,821)
At 31 January 2017		673,445,737	593,348,708	311,803,569	6,626,014	38,477,473	38,337,212	140,261	238,067,505	(1,625,853)	80,097,029

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 January 2017 (cont'd)

	Note	Total equity	← Attributable to owners of the Company: Total	Share capital (Note 24)	← Non-Distributable: Share premium (Note 25)	Other reserves, total	Revaluation reserve (Note 27)	Option reserve →	← Distributable: Retained earnings	Treasury shares → →	Non-controlling interests
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 February 2015		650,020,926	576,151,747	311,108,469	5,505,048	40,762,913	40,002,300	760,613	220,271,207	(1,495,890)	73,869,179
Changes in equity for the year:											
Realisation of revaluation surplus on leasehold land, net of tax	30	-	-	-	-	(832,544)	(832,544)	-	832,544	-	-
Total comprehensive income		85,663,935	73,782,521	-	-	-	-	-	73,782,521	-	11,881,414
Transactions with owners											
Share-based payment under Employees' Share Option Scheme ("ESOS")		95,788	95,788	-	-	95,788	-	95,788	-	-	-
Transfer of reserve arising from exercise of ESOS		-	-	-	237,985	(237,985)	-	(237,985)	-	-	-
Issue of shares pursuant to exercise of ESOS		1,585,191	1,585,191	695,100	890,091	-	-	-	-	-	-
Expenses in relation to issuance of shares		(7,110)	(7,110)	-	(7,110)	-	-	-	-	-	-
Transfer to reserve upon expiry of ESOS		-	-	-	-	(618,416)	-	(618,416)	618,416	-	-
Buy-back of shares	24(b)	(61,972)	(61,972)	-	-	-	-	-	-	(61,972)	-
Dividends paid to non-controlling interests		(11,500,000)	-	-	-	-	-	-	-	-	(11,500,000)
Dividends for the year ended											
- 31 January 2015	38	(18,673,894)	(18,673,894)	-	-	-	-	-	(18,673,894)	-	-
- 31 January 2016	38	(52,909,367)	(52,909,367)	-	-	-	-	-	(52,909,367)	-	-
Total transactions with owners		(81,471,364)	(69,971,364)	695,100	1,120,966	(760,613)	-	(760,613)	(70,964,845)	(61,972)	(11,500,000)
At 31 January 2016		654,213,497	579,962,904	311,803,569	6,626,014	39,169,756	39,169,756	-	223,921,427	(1,557,862)	74,250,593

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

				Non-distributable		Distributable	
	Note	Tota equity RM	Share capital (Note 24) RM	Share premium (Note 25) RM	Revaluation reserve (Note 27) RM	Retained earnings (Note 29) RM	Treasury shares RM
At 1 February 2016		349,120,371	311,803,569	6,626,014	13,449,029	18,799,621	(1,557,862)
Changes in equity for the year:							
Realisation of revaluation surplus on leasehold land, net of tax	30	-	-	-	(206,724)	206,724	-
Total comprehensive income		55,807,689	-	-	-	55,807,689	-
Transactions with owners							
Buy-back of shares	24(b)	(67,991)	-	-	-	-	(67,991)
Dividends for the year ended							
- 31 January 2016	38	(18,672,694)	-	-	-	(18,672,694)	-
- 31 January 2017	38	(37,344,889)	-	-	-	(37,344,889)	-
Total transactions with owners		(56,085,574)	-	-	-	(56,017,583)	(67,991)
At 31 January 2017		348,842,486	311,803,569	6,626,014	13,242,305	18,796,451	(1,625,853)

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

Company Statement of Changes in Equity

For the financial year ended 31 January 2017 (cont'd)

	Note	Total equity	Share capital (Note 24)	Share premium (Note 25)	Non-distributable Revaluation reserve (Note 27)	Option reserve	Distributable Retained earnings (Note 29)	Treasury shares
		RM	RM	RM	RM	RM	RM	RM
At 1 February 2015		363,648,797	311,108,469	5,505,048	13,655,753	760,613	34,114,804	(1,495,890)
Changes in equity for the year:								
Realisation of revaluation surplus on leasehold land, net of tax	30	-	-	-	(206,724)	-	206,724	-
Total comprehensive income		55,442,938	-	-	-	-	55,442,938	-
Transactions with owners								
Share-based payment under ESOS		95,788	-	-	-	95,788	-	-
Transfer of reserve arising from exercise of ESOS		-	-	237,985	-	(237,985)	-	-
Issue of shares pursuant to exercise of ESOS		1,585,191	695,100	890,091	-	-	-	-
Expenses in relation to issuance of shares		(7,110)	-	(7,110)	-	-	-	-
Transfer to reserve upon expiry of ESOS		-	-	-	-	(618,416)	618,416	-
Buy-back of shares	24(b)	(61,972)	-	-	-	-	-	(61,972)
Dividends for the year ended								
- 31 January 2015	38	(18,673,894)	-	-	-	-	(18,673,894)	-
- 31 January 2016	38	(52,909,367)	-	-	-	-	(52,909,367)	-
Total transactions with owners		(69,971,364)	695,100	1,120,966	-	(760,613)	(70,964,845)	(61,972)
At 31 January 2016		349,120,371	311,803,569	6,626,014	13,449,029	-	18,799,621	(1,557,862)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Operating activities				
Cash receipts from customers	893,406,086	749,674,839	28,094,242	25,362,431
Rental received	167,880	182,630	36,000	36,000
Interest received	8,351,784	8,766,983	11,292,362	11,318,240
Dividends received	-	-	43,790,000	49,450,000
Cash paid to suppliers and employees	(738,328,666)	(644,779,997)	(18,971,945)	(19,504,657)
Cash generated from operations	163,597,084	113,844,455	64,240,659	66,662,014
Interest paid	(1,396,129)	(1,012,001)	-	-
Net tax paid	(25,714,217)	(24,225,367)	(3,931,955)	(2,855,089)
Net cash generated from operating activities	136,486,738	88,607,087	60,308,704	63,806,925
Investing activities				
Acquisition of biological assets, land use rights and property, plant and equipment (Note a)	(25,241,588)	(35,906,593)	(2,997,891)	(4,558,607)
Advances to subsidiaries	-	-	(14,252,328)	(32,526,838)
Repayments from subsidiaries	-	-	19,383,069	1,918,701
Additional investment in existing subsidiaries	-	-	(250,000)	-
Net cash effects of disposal of subsidiary company (Note b)	-	5,805	-	-
Interest paid	(460,823)	(1,202,776)	-	-
Net proceeds from compulsory acquisition	1,316,900	-	-	-
Placement of deposits with other financial institutions	(30,000,000)	(5,000,000)	(12,000,000)	(5,000,000)
Proceeds from disposal of subsidiary company	-	-	-	6,000
Proceeds from disposal of property, plant and equipment	564,516	637,818	13,019	90,000
Net cash (used in)/generated from investing activities	(53,820,995)	(41,465,746)	(10,104,131)	(40,070,744)

Statements of Cash Flows

For the financial year ended 31 January 2017 (cont'd)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Financing activities				
Dividends paid	(40,457,504)	(71,583,261)	(40,457,504)	(71,583,261)
Dividends paid to non-controlling interests	(10,510,000)	(11,500,000)	-	-
Expenses paid in relation to issuance of shares	-	(7,110)	-	(7,110)
Proceeds from issuance of shares	-	1,585,191	-	1,585,191
Repayments of bank borrowings	(7,370,000)	(6,022,000)	-	-
Purchase of treasury shares	(67,991)	(61,972)	(67,991)	(61,972)
Net cash used in financing activities	(58,405,495)	(87,589,152)	(40,525,495)	(70,067,152)
Net increase/(decrease) in cash and cash equivalents	24,260,248	(40,447,811)	9,679,078	(46,330,971)
Cash and cash equivalents at beginning of the year	213,640,766	254,088,577	91,246,750	137,577,721
Cash and cash equivalents at the end of the year (Note 20)	237,901,014	213,640,766	100,925,828	91,246,750

Note a : Acquisition of biological assets, land use rights and property, plant and equipment

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Biological assets, land use rights and property, plant and equipment acquired	23,213,607	37,217,448	3,221,366	4,260,562
Less expenses capitalised:				
- depreciation and amortisation	(278,515)	(306,974)	(223,475)	(141,552)
- interest	(382,267)	(1,199,200)	-	-
Cash paid for prior year's acquisition	3,127,379	2,826,005	-	439,597
Unpaid balances of current year's acquisition included under payables	(928,324)	(2,375,438)	-	-
Prepayment/deposits paid in prior years	(504,942)	(760,190)	-	-
Prepayment/deposits paid in current year	994,650	504,942	-	-
Cash paid	25,241,588	35,906,593	2,997,891	4,558,607

Note b : Net cash effects of disposal of subsidiary company

	Group	
	2017	**2016**
	RM	**RM**
Current assets	-	195
Value of net assets disposed of	-	195
Gain on disposal	-	5,805
Total consideration	-	6,000
Less: Cash and cash equivalents in subsidiary disposed of	-	(195)
Net cash effects	-	5,805

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Lot 18.01, 18th Floor, Public Bank Tower, 19, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor. The registered office of the Company is located at Unit No. 203, 2nd Floor, Block C, Damansara Intan, No.1, Jalan SS 20/27, 47400 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are those of cultivation of oil palm and investment holding. The principal activities and other information relating to the subsidiaries are disclosed in Note 16 to the financial statements.

The Directors regard Sharikat Kim Loong Sendirian Berhad, a company incorporated in Malaysia, as the Company's holding and ultimate holding company.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared on a historical cost basis except as disclosed in the accounting policies below and are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies

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

On 1 February 2016, the Group and the Company adopted the following amended FRSs and Annual Improvements which are relevant to the operations of the Group and of the Company for the financial year ended 31 January 2017:

Description	**Effective for annual periods beginning on or after**
Annual Improvements to FRSs 2012–2014 Cycle	1 January 2016
Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 101: Disclosure Initiatives	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016

The adoption of the above amended FRSs and Annual Improvements did not have any effect on the financial performance or position of the Group and the Company.

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

2.3 Standards, IC interpretation, Amendments and Annual Improvements issued but not yet effective

The Standards, IC interpretation, Amendments and Annual Improvements that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these Standards, IC interpretation, Amendments and Annual Improvements, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
FRS 107 Disclosures Initiatives (Amendments to FRS 107)	1 January 2017
FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)	1 January 2017
Amendments to FRS 12: Disclosure of Interests in Other Entities	1 January 2017
Annual Improvements to FRSs 2014-2016 Cycle	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 140: Transfers of Investment Property	1 January 2018
FRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2)	1 January 2018
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors expect that the adoption of the above Standards, IC interpretation, Amendments and Annual Improvements will have no material impact on the financial statements in the period of initial application other than as discussed below:

FRS 107 Disclosures Initiatives (Amendments to FRS 107)

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

FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)

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

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

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies these amendments for an earlier period, it must disclose that fact. The Group is assessing the potential effect of the amendments on the financial statements.

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

2.3 Standards, IC interpretation, Amendments and Annual Improvements issued but not yet effective (cont'd)

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

The amendments to FRS 2 address three main areas:

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

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

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

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on the financial statements.

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

The amendments clarify that:

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

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

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board ("MASB"). Earlier application is permitted. The Group is assessing the potential effect of the amendments on the financial statements.

FRS 9 Financial Instruments

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is assessing the potential effect on the classification and measurement of the Group's financial assets and financial liabilities.

Malaysian Financial Reporting Standards (MFRS Framework)

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

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

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

2.3 Standards, IC interpretation, Amendments and Annual Improvements issued but not yet effective (cont'd)

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

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 January 2019. 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 profits. The Group is in the midst of assessing the impact of adopting the MFRS Framework.

2.4 Basis of consolidation

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

The Group controls an investee if and only if the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

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

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Group, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activates at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of an investment.

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

2.5 Subsidiaries

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

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

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

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

2.6 Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

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

2.7 Foreign currency

(i) Functional and presentation currency
The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

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

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

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

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

2.8 Property, plant and equipment

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

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

Freehold land has unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Long term leasehold land	60 - 770
Buildings	20 - 50
Plant and machinery	4 - 17
Equipment, furniture and fittings	10 - 17
Motor vehicles	10

Assets under construction in progress are not depreciated as these assets are not yet available for use.

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

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

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

2.9 Biological assets

New planting and replanting expenditure incurred on land clearing, development and upkeep of immature oil palms (including interest incurred) during the pre-maturity period (pre-cropping costs) is capitalised under biological assets and is not amortised. Upon maturity, all subsequent maintenance expenditure is charged to profit or loss and the capitalised pre-cropping cost is amortised on a straight line basis over 20 years.

All replanting expenditure is also capitalised in biological assets and amortised on the above-mentioned basis.

2.10 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms of 30-60 years.

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

2.11 Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.12 Financial assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include the following:

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

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

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

(ii) Loans and receivables

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

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

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

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

2.12 Financial assets (cont'd)

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

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

2.13 Impairment of financial assets

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

Trade and other receivables and other financial assets carried at amortised cost
To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

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

2.14 Cash and cash equivalents

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

2.15 Inventories

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

- Raw materials, consumables and spare parts: purchase costs on a first-in first-out basis.

- Nursery stocks: includes cost of seedlings, labour, materials and attributable overheads in bringing the nursery stocks to their present location and condition.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of production overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

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

2.16 Provision

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

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

2.17 Financial liabilities

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

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

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

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

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

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

(ii) Other financial liabilities

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

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

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

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

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

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

2.18 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

The Group does not identify segments by geographical location as it operates only in Malaysia.

The accounting policies adopted in segment reporting are identical to the accounting policies of the Group.

2.19 Share capital and share issuance expenses

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

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

2.20 Contingencies

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

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

2.21 Revenue recognition

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

Sale of goods
Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Other income items of the Group, presented separately from revenue, are recognised using the following bases:

(i) Interest income
Interest is recognised on an accrual basis using the effective interest method.

(ii) Management fees
Management fee income is recognised on the accrual basis.

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

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

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

2.22 Borrowing costs

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

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

2.23 Taxes

(a) Current tax

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

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

(b) Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unutilised tax allowances and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unutilised tax allowances and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

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

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

2.23 Taxes (cont'd)

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

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

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

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

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

2.24 Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(iii) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.25 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

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

2.26 Leases

(i) As lessee

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

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

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

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(iv).

2.27 Hedge accounting

The Group and the Company use derivatives to manage its exposure to commodity price risk. These derivatives comprise commodity swap contracts. The Group and the Company apply hedge accounting for those commodity swap contracts which qualify for hedge accounting.

For the purpose of hedge accounting, hedging relationships are classified as cash flow hedges as the Group and the Company are hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group and the Company formally designate and document the hedge relationship to which the Group and the Company wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as a cash flow hedge.

Under a cash flow hedge, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other expenses.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment affects profit or loss.

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

2.28 Fair value measurement

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

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

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

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

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

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

2.29 Current versus non-current classification

Assets and liabilities in the statements of financial position are presented based on current/non- current classification. An asset is current when it is:

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

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

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

All other liabilities are classified as non-current.

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

3. Significant accounting estimates and judgements

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

3.1 Key sources of estimation uncertainty

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

(i) Useful lives of property, plant and equipment
FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group and the Company reviewed the residual values and remaining useful lives of its property, plant and equipment and found that no revisions to the residual values and remaining useful lives of these assets were necessary.

(ii) Biological Assets
Biological assets comprise pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is amortised at maturity of the crop over the useful economic lives of the crop. Management estimates the useful economic lives of the Group's and Company's oil palms to be 20 years.

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

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

3.1 Key sources of estimation uncertainty (cont'd)

(iii) Deferred tax assets (cont'd)

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

4. Revenue

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sales of :				
Fresh fruit bunches	24,947,527	20,748,899	22,329,132	18,896,117
Palm oil milling products	867,645,659	736,981,491	-	-
	892,593,186	757,730,390	22,329,132	18,896,117

5. Cost of sales

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fresh fruit bunches	16,951,051	16,439,015	9,518,252	10,118,794
Palm oil milling products	738,264,063	603,239,471	-	-
	755,215,114	619,678,486	9,518,252	10,118,794

6. Other items of income

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income	8,894,282	8,724,214	11,565,352	11,250,646
Rental income	167,880	182,630	36,000	36,000
Sundry income	1,623,908	760,242	189,707	254,959
Commission received	-	-	1,318,117	1,060,153
Management fee income	124,165	124,165	4,367,015	4,815,782
Gain on derivatives	1,232,775	-	-	-
Gain on compulsory acquisition of land	318,428	-	-	-
Gain on disposal of property, plant and equipment	193,127	103,199	13,018	30,789
Gain on disposal of subsidiary company	-	5,805	-	62
Dividend income from subsidiaries	-	-	43,790,000	49,450,000
	12,554,565	9,900,255	61,279,209	66,898,391

7. Finance costs

	Group	
	2017	**2016**
	RM	**RM**
Interest expense on:		
- bank borrowings	1,837,667	2,184,194
- other payables	16,205	62,854
	1,853,872	2,247,048
Less: Interest capitalised in biological assets (Note 15)	(382,267)	(1,199,200)
	1,471,605	1,047,848

The interest expense on other payables arose as a result of the remeasurement of the outstanding amount to its amortised cost.

8. Profit before tax

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
- Statutory audit	275,500	257,500	57,000	49,000
- Other services	6,000	6,000	6,000	6,000
Employee benefit expenses (Note 9)	49,592,723	54,911,352	10,634,570	11,667,269
Depreciation and amortisation :				
- property, plant and equipment (Note 13)	23,617,636	21,824,366	1,462,273	1,533,269
- land use rights (Note 14)	114,480	114,660	-	-
- biological assets (Note 15)	6,575,938	5,797,305	660,911	563,989
Write off of:				
- property, plant and equipment (Note 33 A)	613,965	675,481	69,491	84,082
- biological assets (Note 33 A)	2	6	2	6
- bad debts (Note 33 A)	30,772	166,316	13,640	23,097
- inventories (Note 33 A)	11,607	13,241	8,714	10,122
Write down of inventories (Note 17 and Note 33 A)	719,428	270,667	-	-
Allowance for impairment losses on:				
- property, plant and equipment (Note 13)	-	1,414,521	-	-
- biological assets (Note 15)	486,009	-	-	
- other receivables (Note 18)	-	-	1,931,000	5,278,619
Gain on disposal of subsidiary company	-	(5,805)	-	(62)
Fair value (gain)/loss on derivatives				
- realised	(1,232,775)	57,899	-	-
Rental of premises	299,817	301,391	209,431	209,431
Gain on disposal of property, plant and equipment	(193,127)	(103,199)	(13,018)	(30,789)
Loss on disposal of property, plant and equipment (Note 33 A)	112,683	132,905	-	-
Rental income	(167,880)	(182,630)	(36,000)	(36,000)
Gross dividend income from:				
- subsidiaries	-	-	(43,790,000)	(49,450,000)
Interest income from :				
- deposits	(8,827,322)	(8,657,254)	(3,731,861)	(4,085,145)
- subsidiaries	-	-	(7,766,531)	(7,098,541)
- others	(66,960)	(66,960)	(66,960)	(66,960)

9. Employee benefit expenses

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Salaries, wages and bonuses	46,354,142	52,837,931	10,233,418	11,367,030
Defined contribution plan	3,802,157	3,388,243	1,057,011	995,192
Social security costs	291,982	270,949	29,836	27,700
Human Resources Development ("HRD") fund	67,963	60,164	-	-
Provision for unutilised leave (Note 21(c) and 33 A)	14,411	50,661	14,411	50,661
Share options granted under ESOS (Note 33 A)	-	95,788	-	95,788
Total employee benefit expenses	50,530,655	56,703,736	11,334,676	12,536,371
Amount capitalised in biological assets (Note 15)	(937,932)	(1,792,384)	(700,106)	(869,102)
Total employee benefit expenses recognised in profit or loss	49,592,723	54,911,352	10,634,570	11,667,269

Included in employee benefit expenses of the Group and of the Company are Executive Directors' remuneration amounting to RM6,776,599 (2016: RM4,985,924) and RM3,618,633 (2016: RM3,223,477) respectively as further disclosed in Note 10.

10. Directors' remuneration

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Directors of the Company				
Executive:				
Fees	318,000	318,000	-	-
Salaries and other emoluments	5,709,250	4,119,535	3,201,500	2,852,285
Defined contribution plan	736,322	530,455	414,962	369,775
Social security costs	13,027	17,934	2,171	1,417
	6,776,599	4,985,924	3,618,633	3,223,477
Estimated monetary value of benefits-in-kind	31,112	29,212	31,112	29,212
	6,807,711	5,015,136	3,649,745	3,252,689
Non-Executive :				
Fees	264,000	204,000	264,000	204,000
Other emoluments	7,500	6,000	7,500	6,000
	271,500	210,000	271,500	210,000
	7,079,211	5,225,136	3,921,245	3,462,689

10. Directors' remuneration (cont'd)

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

	Number of Directors	
	2017	2016
Executive Directors:		
RM600,001 - RM650,000	-	1
RM700,001 - RM750,000	1	-
RM750,001 - RM800,000	-	1
RM800,001 - RM850,000	-	1
RM900,001 - RM950,000	2	-
RM1,000,001 - RM1,050,000	-	1
RM1,050,001 - RM1,100,000	1	-
Non-executive Directors:		
RM50,001 - RM100,000	3	3

11. Tax

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Income tax :				
- Current year	24,903,383	23,966,925	4,067,000	3,178,000
- (Over)/underprovision in prior years	(538,248)	101,680	61,455	17,756
	24,365,135	24,068,605	4,128,455	3,195,756
Deferred tax (Note 23) :				
- Relating to origination and reversal of temporary differences	1,113,024	(762,976)	478,072	630,072
- Underprovision of assets in prior years	(2,000)	(1,344,500)	-	-
- Under/(over)provision of liabilities in prior years	1,000	(45,700)	19,000	(22,000)
	1,112,024	(2,153,176)	497,072	608,072
Tax expense for the year	25,477,159	21,915,429	4,625,527	3,803,828

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

11. Tax (cont'd)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense of the Group and of the Company is as follows :

	2017 RM	2016 RM
Group		
Profit before tax	111,164,712	107,579,364
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	26,679,531	25,819,047
Tax effects of:		
- Expenses not deductible for tax purposes	1,381,238	1,276,008
- Income not subject to tax	(498,928)	(213,669)
- Deferred tax assets not recognised during the year on deductible temporary differences	50,505	75,238
- Double deductions	(39,721)	(40,382)
- Reinvestment allowance	(1,556,218)	(3,712,293)
(Over)/underprovision of income tax expense in prior years	(538,248)	101,680
Underprovision of deferred tax assets in prior years	(2,000)	(1,344,500)
Under/(over)provision of deferred tax liabilities in prior years	1,000	(45,700)
Tax expense for the year	25,477,159	21,915,429
Company		
Profit before tax	60,433,216	59,246,766
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	14,503,972	14,219,224
Tax effects of:		
- Expenses not deductible for tax purposes	684,277	1,507,260
- Income not subject to tax	(10,643,177)	(11,918,412)
Underprovision of income tax expense in prior years	61,455	17,756
Under/(over)provision of deferred tax liabilities in prior years	19,000	(22,000)
Tax expense for the year	4,625,527	3,803,828

12. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit net of tax for the year, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2017 RM	2016 RM
Profit net of tax attributable to owners of the Company (RM)	71,118,296	73,782,521
Weighted average number of ordinary shares in issue	311,201,569	311,160,628
Basic earnings per share (sen)	22.85	23.71

(b) Diluted

The diluted earnings per share is not presented as there were no potential dilutive ordinary shares outstanding at reporting date.

13. Property, plant and equipment

Group	Land^ RM	Buildings RM	Plant and machinery RM	Equipment, furniture and fittings RM	Motor vehicles RM	Construction in progress RM	Total RM
Cost							
At 1 February 2015	205,155,975	84,485,557	234,701,010	13,561,453	12,927,619	20,036,388	570,868,002
Additions	-	4,028,440	5,074,546	802,382	2,973,446	16,677,414	29,556,228
Disposals	-	-	(861,518)	(7,070)	(1,161,304)	-	(2,029,892)
Written off	-	(444,724)	(1,876,836)	(102,176)	-	-	(2,423,736)
Expensed off	-	-	-	-	-	(14,641)	(14,641)
Reclassifications	-	3,250,782	25,709,714	(270,129)	-	(28,690,367)	-
At 31 January 2016 and 1 February 2016	205,155,975	91,320,055	262,746,916	13,984,460	14,739,761	8,008,794	595,955,961
Additions	18,108	2,708,792	6,847,779	555,479	1,527,848	8,113,656	19,771,662
Disposals	-	-	(755,171)	(2,000)	(856,777)	-	(1,613,948)
Written off	-	(781,730)	(1,318,850)	(123,250)	(11,500)	(52,278)	(2,287,608)
Expensed off	-	-	-	-	-	(41,498)	(41,498)
Reclassifications	-	1,552,959	7,503,218	(916,909)	-	(8,139,268)	-
At 31 January 2017	205,174,083	94,800,076	275,023,892	13,497,780	15,399,332	7,889,406	611,784,569
Accumulated depreciation							
At 1 February 2015	26,301,019	25,784,769	106,505,622	8,134,768	6,625,992	-	173,352,170
Charge for the year	2,584,199	3,620,785	14,300,177	794,937	831,242	-	22,131,340
Disposals	-	-	(556,736)	(2,056)	(803,576)	-	(1,362,368)
Written off	-	(325,435)	(1,344,480)	(72,995)	-	-	(1,742,910)
Reclassifications	-	60,032	269,628	(329,660)	-	-	-
At 31 January 2016 and 1 February 2016	28,885,218	29,140,151	119,174,211	8,524,994	6,653,658	-	192,378,232
Charge for the year	2,584,263	3,890,606	15,794,277	697,857	929,148	-	23,896,151
Disposals	-	-	(452,242)	(1,770)	(675,864)	-	(1,129,876)
Written off	-	(514,237)	(1,068,385)	(85,401)	(5,620)	-	(1,673,643)
Reclassifications	-	-	174,887	(174,887)	-	-	-
At 31 January 2017	31,469,481	32,516,520	133,622,748	8,960,793	6,901,322	-	213,470,864

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

Group	Land^ RM	Buildings RM	Plant and machinery RM	Equipment, furniture and fittings RM	Motor vehicles RM	Construction in progress RM	Total RM
Accumulated impairment losses							
At 1 February 2015	266,303	728,552	6,195,557	110,579	-	143,048	7,444,039
Impairment loss for the year (Note 8)	-	184,980	1,207,327	-	-	22,214	1,414,521
Written off	-	-	(5,345)	-	-	-	(5,345)
Reclassifications	-	-	165,262	-	-	(165,262)	-
At 31 January 2016, 1 February 2016 and 31 January 2017	266,303	913,532	7,562,801	110,579	-	-	8,853,215
Net carrying amount							
At 31 January 2016	176,004,454	61,266,372	136,009,904	5,348,887	8,086,103	8,008,794	394,724,514
At 31 January 2017	173,438,299	61,370,024	133,838,343	4,426,408	8,498,010	7,889,406	389,460,490

^ Land consists of:

	2017 Cost RM	2017 Net carrying amount RM	2016 Cost RM	2016 Net carrying amount RM
Freehold land	13,586,469	13,586,469	13,586,469	13,586,469
Long term leasehold land	191,587,614	159,851,830	191,569,506	162,417,985
	205,174,083	173,438,299	205,155,975	176,004,454

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

Company	Long term leasehold land RM	Buildings RM	Plant and machinery RM	Equipment, furniture and fittings RM	Motor vehicles RM	Construction in progress RM	Total RM
Cost							
At 1 February 2015	67,856,221	11,008,074	3,792,551	2,445,448	2,274,446	242,529	87,619,269
Additions	-	428,971	68,501	133,931	286,946	466,853	1,385,202
Disposals	-	-	-	-	(265,861)	-	(265,861)
Written off	-	(120,898)	(104,700)	(51,208)	-	-	(276,806)
Reclassifications	-	709,382	-	-	-	(709,382)	-
At 31 January 2016 and 1 February 2016	67,856,221	12,025,529	3,756,352	2,528,171	2,295,531	-	88,461,804
Additions	-	240,102	259,096	32,339	387,596	-	919,133
Disposals	-	-	(80,682)	-	-	-	(80,682)
Written off	-	(191,448)	(8,360)	(30,761)	-	-	(230,569)
At 31 January 2017	67,856,221	12,074,183	3,926,406	2,529,749	2,683,127	-	89,069,686
Accumulated depreciation							
At 1 February 2015	9,665,667	1,880,766	2,366,244	1,139,526	975,841	-	16,028,044
Charge for the year	884,076	226,811	202,277	210,411	151,246	-	1,674,821
Disposals	-	-	-	-	(206,650)	-	(206,650)
Written off	-	(91,481)	(60,509)	(40,734)	-	-	(192,724)
At 31 January 2016 and 1 February 2016	10,549,743	2,016,096	2,508,012	1,309,203	920,437	-	17,303,491
Charge for the year	884,076	235,734	198,974	205,479	161,485	-	1,685,748
Disposals	-	-	(80,681)	-	-	-	(80,681)
Written off	-	(126,506)	(7,772)	(26,800)	-	-	(161,078)
At 31 January 2017	11,433,819	2,125,324	2,618,533	1,487,882	1,081,922	-	18,747,480
Net carrying amount							
At 31 January 2016	57,306,478	10,009,433	1,248,340	1,218,968	1,375,094	-	71,158,313
At 31 January 2017	56,422,402	9,948,859	1,307,873	1,041,867	1,601,205	-	70,322,206

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Depreciation charge for the year:				
Amount capitalised in biological assets (Note 15)	278,515	306,974	223,475	141,552
Amount recognised in profit or loss (Note 8)	23,617,636	21,824,366	1,462,273	1,533,269
	23,896,151	22,131,340	1,685,748	1,674,821

Certain long term leasehold land of the Group was revalued in 2003, and the Group has retained the unamortised revalued amount as the surrogate cost of those long term leasehold land in accordance with the transitional provisions of FRS 117.

Impairment of assets:

During the previous financial year:

1) a subsidiary of the Group, Desa Kim Loong Palm Oil Sdn. Bhd., recognised an impairment loss in respect of its palm kernel crushing plant as the plant remained idle and was deemed not economical to operate. The impairment loss of RM1,207,327, representing the write-down of the palm kernel crushing plant to its expected recoverable amount was recognised in profit or loss. The expected recoverable amount of the palm kernel oil crushing plant was based on its fair value less cost to sell, which was determined by reference to a third-party supplier's quotation for a similar plant.

2) a subsidiary of the Group, Winsome Pelita (Pantu) Sdn. Bhd., recognised an impairment loss of RM207,194 in profit or loss, representing the carrying amount of property, plant and equipment in the area affected by the decision of the Court of Appeal which had dismissed the subsidiary's appeal against the High Court's decision.

14. Land use rights

	Group	
	2017 RM	2016 RM
Cost		
At beginning of the financial year	3,623,413	3,623,413
Compulsory acquisition	(32,232)	-
At end of the financial year	3,591,181	3,623,413
Accumulated amortisation		
At beginning of the financial year	1,374,955	1,260,295
Amortisation (Note 8)	114,480	114,660
Compulsory acquisition	(6,403)	-
At end of the financial year	1,483,032	1,374,955
Net carrying amount		
At end of the financial year	2,108,149	2,248,458
Analysed as:		
Long term leasehold land	519,457	556,686
Short term leasehold land	1,588,692	1,691,772
	2,108,149	2,248,458
Amount to be amortised:		
- Not later than one year	114,120	114,660
- Later than one year but not later than five years	456,480	458,640
- Later than five years	1,537,549	1,675,158
	2,108,149	2,248,458

15. Biological assets

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cost				
At beginning of the financial year	146,370,599	140,285,982	21,559,506	20,260,749
Additions	3,441,945	7,661,220	2,302,233	2,875,360
Written off	(1,098,070)	(1,576,603)	(1,098,070)	(1,576,603)
Compulsory acquisition	(28,130)	-	-	-
At end of the financial year	148,686,344	146,370,599	22,763,669	21,559,506
Accumulated amortisation				
At beginning of the financial year	60,193,460	55,972,752	6,609,352	7,621,960
Amortisation for the year (Note 8)	6,575,938	5,797,305	660,911	563,989
Written off	(1,098,068)	(1,576,597)	(1,098,068)	(1,576,597)
Compulsory acquisition	(16,857)	-	-	-
At end of the financial year	65,654,473	60,193,460	6,172,195	6,609,352
Accumulated impairment losses				
At beginning of the financial year	1,188,621	1,188,621	-	-
Impairment loss for the year (Note 8)	486,009	-	-	-
At end of the financial year	1,674,630	1,188,621	-	-
Net carrying amount				
At end of the financial year	81,357,241	84,988,518	16,591,474	14,950,154
Included in the additions to biological assets during the financial year are :				
Depreciation of property, plant and equipment (Note 13)	278,515	306,974	223,475	141,552
Interest (Note 7)	382,267	1,199,200	-	-
Employee benefit expenses (Note 9)	937,932	1,792,384	700,106	869,102

Impairment of biological assets

During the financial year, a subsidiary of the Group, Winsome Jaya Sdn. Bhd., recognised an impairment loss of RM486,009 (2016: RM Nil) in respect of its biological assets due to palm damages caused by elephants.

As disclosed in Note 13, arising from the Court of Appeal judgement, the Group recognised an impairment loss on biological assets on the disputed area amounting to RM1,188,621 to profit or loss in the previous financial years.

16. Investment in subsidiaries

	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost	52,248,299	51,998,299
Less: Accumulated impairment losses	(6,079,086)	(6,079,086)
	46,169,213	45,919,213

Details of the subsidiaries are as follows :

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of effective ownership interest (%) 2017	Proportion of effective ownership interest (%) 2016
Held by the Company:				
Suhenson Estate Sdn. Bhd.	Malaysia	Dormant	100	100
Selokan Sdn. Bhd.	Malaysia	Dormant	100	100
Kim Loong - KPD Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	70	70
Tyeco Corporation Sdn. Bhd.	Malaysia	Trading agent and building construction	100	100
Winsome Plantations Sdn. Bhd.	Malaysia	Investment holding	100	100
Kim Loong Sabah Mills Sdn. Bhd.	Malaysia	Processing and marketing of oil palm products	100	100
Kim Loong Power Sdn. Bhd.	Malaysia	Bio-gas and power generation activities	100	100
Okidville Plantations Sdn. Bhd.	Malaysia	Investment holding	95	95
Winsome Sarawak Plantations Sdn. Bhd.	Malaysia	Dormant	100	100
Palm Nutraceuticals Sdn. Bhd.	Malaysia	Manufacturing of health supplements and food ingredients	70	70
Kim Loong Technologies Sdn. Bhd.	Malaysia	Extracting residual oil from wet palm fibre and converting palm fibre into better quality fibre	100	100
Kim Loong Corporation Sdn. Bhd.	Malaysia	Investment holding	100	100
Okidville Holdings Sdn. Bhd.	Malaysia	Cultivation of oil palm and investment holding	100	100
Kim Loong Palm Oil Sdn. Bhd.	Malaysia	Trading of fresh fruit bunches and investment holding	100	100
Desa Kim Loong Palm Oil Sdn. Bhd.	Malaysia	Processing and marketing of oil palm products	70	70
Winsome Yields Sdn. Bhd.	Malaysia	Investment holding	90	90
Okidville Jaya Sdn. Bhd.	Malaysia	Dormant	100	100
Sepulut Plantations Sdn. Bhd.	Malaysia	Dormant	100	100

16. Investment in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of effective ownership interest (%) 2017	2016
Held by Kim Loong Corporation Sdn. Bhd.				
Winsome Pelita (Pantu) Sdn. Bhd.	Malaysia	Cultivation of oil palm	60	60
Held by Okidville Holdings Sdn. Bhd.				
Desa Okidville Sdn. Bhd.	Malaysia	Cultivation of oil palm	51	51
Held by Desa Kim Loong Palm Oil Sdn. Bhd.				
Kim Loong Technologies (Sabah) Sdn. Bhd.	Malaysia	Extracting residual oil from wet palm fibre and converting palm fibre into better quality fibre	70	70
Desa Kim Loong Industries	Malaysia	Dormant	70	70
Held by Kim Loong Palm Oil Sdn. Bhd.				
Kim Loong Palm Oil Mills Sdn. Bhd.	Malaysia	Processing and marketing of oil palm products	100	100
Held by Kim Loong Palm Oil Mills Sdn. Bhd.				
Sungkit Enterprise Sdn. Bhd.	Malaysia	Processing and trading of palm kernel products	98	70
Kim Loong Evergrow Sdn. Bhd.	Malaysia	Dormant	100	100
Kim Loong Biomass Sdn. Bhd.	Malaysia	Processing of oil palm fibre	75	75
Held by Winsome Yields Sdn. Bhd.				
Winsome Al-Yatama Sdn. Bhd.	Malaysia	Cultivation of oil palm	61	61
Held by Okidville Plantations Sdn. Bhd.				
Winsome Jaya Sdn. Bhd.	Malaysia	Cultivation of oil palm	67	67
Okidville Resources Sdn. Bhd.	Malaysia	Dormant	95	95
Held by Winsome Plantations Sdn. Bhd.				
Winsome Pelita (Kranggas) Sdn. Bhd.	Malaysia	Cultivation of oil palm	70	70

16. Investment in subsidiaries (cont'd)

During the financial year,

(a) An indirect wholly-owned subsidiary of the Company, Kim Loong Palm Oil Mills Sdn. Bhd. ("KLPOM"), has been allotted with a total of 2,800,000 new ordinary shares of RM1 each fully paid in Sungkit Enterprise Sdn. Bhd. ("SESB") which were subscribed by KLPOM at par for a total cash consideration of RM2,800,000 ("Transaction") pursuant to a Renounceable Rights Issue undertaken by SESB.

As a result of the Transaction, KLPOM has increased its equity interest from 70% to 98% in SESB.

(b) The Company acquired additional ordinary shares in Kim Loong Power Sdn. Bhd. for a total consideration of RM250,000, satisfied by cash. The acquisition did not change the percentage of shareholdings effectively held by the Company.

During the previous financial year,

(a) On 18 September 2015, the Company disposed 2 ordinary shares of RM1 each, representing 100% equity interest in Okidville Corporation Sdn. Bhd. to Kim Loong Plantations Sdn. Bhd., a related company, at RM3,000 per share for a total consideration of RM6,000.

Summarised financial information of Okidville Holdings Sdn. Bhd. and its subsidiary ("OHSB"), Kim Loong - KPD Plantations Sdn. Bhd. ("KL-KPD") and Desa Kim Loong Palm Oil Sdn. Bhd. and its subsidiaries ("DKLPO") which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised statements of comprehensive income

2017	OHSB RM	KL-KPD RM	DKLPO RM	Total RM
Revenue	65,575,884	27,551,115	239,747,935	332,874,934
Profit before tax	35,345,384	18,662,337	10,103,887	64,111,608
Profit net of tax	26,942,726	14,238,382	8,011,467	49,192,575
Other comprehensive income	140,261	-	-	140,261
Total comprehensive income	27,082,987	14,238,382	8,011,467	49,332,836
Profit net of tax attributable to:				
- owners of the Company	18,785,070	9,966,867	5,608,027	34,359,964
- non-controlling interests	8,157,656	4,271,515	2,403,440	14,832,611
	26,942,726	14,238,382	8,011,467	49,192,575
Total comprehensive income attributable to:				
- owners of the Company	18,925,331	9,966,867	5,608,027	34,500,225
- non-controlling interests	8,157,656	4,271,515	2,403,440	14,832,611
	27,082,987	14,238,382	8,011,467	49,332,836

16. Investment in subsidiaries (cont'd)

Summarised financial information of Okidville Holdings Sdn. Bhd. and its subsidiary ("OHSB"), Kim Loong - KPD Plantations Sdn. Bhd. ("KL-KPD") and Desa Kim Loong Palm Oil Sdn. Bhd. and its subsidiaries ("DKLPO") which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. (cont'd)

(i) Summarised statements of comprehensive income (cont'd)

2016	**OHSB RM**	**KL-KPD RM**	**DKLPO RM**	**Total RM**
Revenue	65,374,795	22,281,164	263,215,151	350,871,110
Profit before tax	30,968,005	13,567,190	16,517,932	61,053,127
Profit net of tax, representing total comprehensive income	23,520,440	10,367,555	13,680,358	47,568,353
Profit net of tax attributable to:				
- owners of the Company	17,128,452	7,257,288	9,576,251	33,961,991
- non-controlling interests	6,391,988	3,110,267	4,104,107	13,606,362
	23,520,440	10,367,555	13,680,358	47,568,353
Total comprehensive income attributable to:				
- owners of the Company	17,128,452	7,257,288	9,576,251	33,961,991
- non-controlling interests	6,391,988	3,110,267	4,104,107	13,606,362
	23,520,440	10,367,555	13,680,358	47,568,353

(ii) Summarised statements of financial position

2017	**OHSB RM**	**KL-KPD RM**	**DKLPO RM**	**Total RM**
Non-current assets	97,216,040	34,027,374	54,000,186	185,243,600
Current assets	44,457,252	56,076,245	62,527,052	163,060,549
Total assets	141,673,292	90,103,619	116,527,238	348,304,149
Current liabilities	5,304,110	1,948,960	23,870,696	31,123,766
Non-current liabilities	14,134,806	8,213,945	5,486,000	27,834,751
Total liabilities	19,438,916	10,162,905	29,356,696	58,958,517
Net assets	122,234,376	79,940,714	87,170,542	289,345,632
Equity attributable to owners of the Company	79,769,923	55,958,499	61,019,380	196,747,802
Non-controlling interests	42,464,453	23,982,215	26,151,162	92,597,830
	122,234,376	79,940,714	87,170,542	289,345,632

16. Investment in subsidiaries (cont'd)

Summarised financial information of Okidville Holdings Sdn. Bhd. and its subsidiary ("OHSB"), Kim Loong - KPD Plantations Sdn. Bhd. ("KL-KPD") and Desa Kim Loong Palm Oil Sdn. Bhd. and its subsidiaries ("DKLPO") which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. (cont'd)

(ii) Summarised statements of financial position (cont'd)

2016	OHSB RM	KL-KPD RM	DKLPO RM	Total RM
Non-current assets	101,474,752	34,927,793	55,875,652	192,278,197
Current assets	34,158,281	50,603,696	52,691,131	137,453,108
Total assets	135,633,033	85,531,489	108,566,783	329,731,305
Current liabilities	6,741,771	1,576,369	15,154,708	23,472,848
Non-current liabilities	15,039,873	8,252,788	5,553,000	28,845,661
Total liabilities	21,781,644	9,829,157	20,707,708	52,318,509
Net assets	113,851,389	75,702,332	87,859,075	277,412,796
Equity attributable to owners of the Company	74,644,592	52,991,632	61,501,353	189,137,577
Non-controlling interests	39,206,797	22,710,700	26,357,722	88,275,219
	113,851,389	75,702,332	87,859,075	277,412,796

(iii) Summarised statements of cash flows

2017	OHSB RM	KL-KPD RM	DKLPO RM	Total RM
Net cash generated from operating activities	28,688,940	16,078,897	16,280,922	61,048,759
Net cash used in investing activities	(8,309,603)	(6,052,094)	(9,557,643)	(23,919,340)
Net cash used in financing activities	(20,100,000)	(10,000,000)	(8,700,000)	(38,800,000)
Net increase/(decrease) in cash and cash equivalents	279,337	26,803	(1,976,721)	(1,670,581)
Cash and cash equivalents at beginning of the year	27,964,656	39,154,410	32,488,568	99,607,634
Cash and cash equivalents at end of the year	28,243,993	39,181,213	30,511,847	97,937,053
2016				
Net cash generated from operating activities	27,820,721	11,994,455	7,884,038	47,699,214
Net cash used in investing activities	(1,456,868)	(1,659,493)	(5,593,431)	(8,709,792)
Net cash used in financing activities	(20,750,000)	(10,000,000)	(12,000,000)	(42,750,000)
Net increase/(decrease) in cash and cash equivalents	5,613,853	334,962	(9,709,393)	(3,760,578)
Cash and cash equivalents at beginning of the year	22,350,803	38,819,448	42,197,961	103,368,212
Cash and cash equivalents at end of the year	27,964,656	39,154,410	32,488,568	99,607,634

Notes to the Financial Statements

For the financial year ended 31 January 2017 (cont'd)

17. Inventories

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Cost				
Raw materials	562,730	290,843	-	-
Work-in-progress	-	469	-	-
Finished goods	17,480,417	32,804,099	-	-
Building materials, supplies, spare parts and consumables	9,839,676	9,429,545	316,894	241,788
	27,882,823	42,524,956	316,894	241,788
Net realisable value				
Work-in-progress	12,979	66,159	-	-
Finished goods	11,683,102	1,365,224	-	-
	11,696,081	1,431,383	-	-
	39,578,904	43,956,339	316,894	241,788
Recognised in profit or loss:				
Inventories recognised as cost of sales	755,215,114	619,678,486	9,518,252	10,118,794
Write-down to net realisable value (Note 8)	719,428	270,667	-	-

18. Trade and other receivables

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Current				
Trade receivables				
Third parties	24,195,486	22,062,053	778,194	663,846
Amount owing from subsidiaries	-	-	681,731	690,797
	24,195,486	22,062,053	1,459,925	1,354,643
Other receivables				
Third parties	3,900,926	5,959,714	2,550,954	2,869,485
Refundable deposits	418,138	369,130	119,105	119,105
Amount owing from holding company	3,397	36,136	-	-
Amount owing from subsidiaries	-	-	4,604,569	41,894,984
Amount owing from related companies	37,978	3,502	7,447	216
	4,360,439	6,368,482	7,282,075	44,883,790
Total trade and other receivables (current)	28,555,925	28,430,535	8,742,000	46,238,433
Non-current				
Other receivables				
Amount owing from subsidiaries	-	-	129,282,417	97,309,187
Less: Allowance for impairment losses	-	-	(7,749,518)	(5,818,518)
	-	-	121,532,899	91,490,669
Total trade and other receivables (current and non-current)	28,555,925	28,430,535	130,274,899	137,729,102

18. Trade and other receivables (cont'd)

(a) Trade receivables

The Group's normal trade credit terms are less than 60 days (2016: less than 60 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Neither past due nor impaired	24,195,486	22,062,053	1,459,925	1,354,643

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. None of these balances have been renegotiated during the financial year.

(b) Amount owing from subsidiaries (trade)

These amounts are generally within 60 days terms (2016: within 60 days terms). They are recognised at their original invoice amounts which represent their fair values on initial recognition. These amounts are neither past due nor impaired.

(c) Amount owing from holding and related companies (non-trade)

These amounts are unsecured, non-interest bearing and repayable on demand.

(d) Amount owing from subsidiaries (current and non-current non-trade)

Included in the amount owing from subsidiaries is an amount of RM125,182,446 (2016: RM129,988,066) which is interest bearing and unsecured.

All other balances are unsecured, non-interest bearing and repayable on demand. These balances are considered quasi-equity in nature, which represents an extension of investment in the subsidiaries and are expected to be settled in cash. As at the end of the financial year, the Company has provided an impairment allowance of RM7,749,518 (2016: RM5,818,518) on amounts owing by certain subsidiaries.

18. Trade and other receivables (cont'd)

(e) Other receivables that are impaired

Receivables that are impaired

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

	Group Individually impaired		Company Individually impaired	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Other receivable-nominal amounts	-	-	10,215,765	8,092,258
Less: Allowance for impairment	-	-	(7,749,518)	(5,818,518)
	-	-	2,466,247	2,273,740

Movement in allowance accounts:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
At beginning of the financial year	-	241,000	5,818,518	539,899
Change for the year (Note 8)	-	-	1,931,000	5,278,619
Written off	-	(241,000)	-	-
At end of the financial year	-	-	7,749,518	5,818,518

19. Derivatives

	2017	
	Contract/ Nominal Amount RM	**Fair Value Assets RM**
Derivatives that are designated as effective hedging instruments carried at fair value		
- Commodity swap	13,050,000	184,554

There was no outstanding derivative instruments as at 31 January 2016.

Crude palm oil-commodity swap

One of the Group's principal activities is cultivation of oil palm which produces fresh fruits bunches ("FFB"). The sales value of FFB is mainly determined by the price of Crude Palm Oil ("CPO"). Due to the volatility in CPO price over the past 12 months, the Group entered into CPO Vanilla Swap contract designated as hedges of highly probable forecast of FFB production.

The contract is intended to hedge the price risk affecting cash flows that is attributable to volatility in CPO price for a period of 10 months. The Group considers the CPO Vanilla Swap contract as an effective hedging instrument. Changes in fair value of this instrument are recognised in the hedging reserve.

As at 31 January 2017, the fair value assets of the Group is RM184,554 with a related deferred tax liabilities of RM44,293 and were included in other comprehensive income of the Group in respect of this contract.

20. Cash and bank balances

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Cash on hand and cash at bank	57,381,886	44,241,223	8,312,373	7,047,022
Time deposits with licensed banks	167,267,405	152,163,844	90,000,000	79,700,000
Short term deposits with other financial institutions	60,871,598	35,069,781	19,952,639	9,499,728
Cash and bank balances	285,520,889	231,474,848	118,265,012	96,246,750
Less: Bank overdraft (Note 22)	(2,019,508)	(2,854,672)	-	-
Less: Deposits with other financial institutions	(45,600,367)	(14,979,410)	(17,339,184)	(5,000,000)
Cash and cash equivalents	237,901,014	213,640,766	100,925,828	91,246,750

Arrangements have been made with certain licensed banks whereby certain bank balances can earn interest on a daily rest basis. As at the reporting date, bank balances of the Group and the Company placed under such arrangements amounted to RM50,598,559 (2016: RM37,756,107) and RM6,930,360 (2016: RM6,028,803) respectively. The average interest rate as at the end of the financial year for such deposits was 2.46% (2016: 2.67%) per annum and 2.51% (2016: 2.72%) per annum for the Group and the Company respectively.

Included in deposits with licensed banks of the Group is an amount of RM529,253 (2016: RM509,497) pledged to a licensed bank as security for credit facilities granted to a subsidiary.

Deposits are normally made for varying periods of between 1 day to 3 months depending on the immediate cash requirements of the Group and of the Company, and earn interest at the respective short-term deposit rates. The average interest rates as at the end of the financial years are as follows:

	Group		Company	
	2017 % per annum	**2016 % per annum**	**2017 % per annum**	**2016 % per annum**
Time deposits with licensed banks	3.37	3.79	3.29	3.80
Short term deposits with other financial institutions	3.01	3.06	3.19	3.20

21. Trade and other payables

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Current				
Trade payables				
Third parties	42,452,703	28,952,688	741,149	1,187,655
Amount owing to holding company	101,000	67,944	83,000	44,944
Amount owing to related companies	358,554	212,995	-	2,120
	42,912,257	29,233,627	824,149	1,234,719

Notes to the Financial Statements

For the financial year ended 31 January 2017 (cont'd)

21. Trade and other payables (cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables				
Sundry payables	6,178,678	8,276,472	236,331	263,188
Deposits	315,970	162,760	-	-
Provisions	503,067	622,732	275,710	261,299
Accruals	17,371,971	13,463,482	2,338,725	2,115,293
Amount owing to holding company	380	-	380	-
Amount owing to related companies	1,350	-	1,350	-
	24,371,416	22,525,446	2,852,496	2,639,780
Total trade and other payables (current)	67,283,673	51,759,073	3,676,645	3,874,499
Non-current				
Other payables				
Sundry payables	187,898	271,693	-	-
Total trade and other payables (current and non-current)	67,471,571	52,030,766	3,676,645	3,874,499

(a) Trade payables

These amounts are non-interest bearing and normally settled on 60 days (2016 : 60 days) terms.

(b) Amount owing to holding and related companies (trade)

Credit terms granted by holding and related companies are less than 60 days (2016 : less than 60 days).

(c) Provisions

Group	Legal expense RM	Unutilised annual leave RM	Total RM
At 1 February 2015	500,000	210,638	710,638
Additions (Note 33A and 9)	-	50,661	50,661
Utilised	(138,567)	-	(138,567)
At 31 January 2016 and 1 February 2016	361,433	261,299	622,732
Additions (Note 33A and 9)	-	14,411	14,411
Utilised	(134,076)	-	(134,076)
At 31 January 2017	227,357	275,710	503,067

Company	Unutilised annual leave RM
At 1 February 2015	210,638
Additions (Note 9)	50,661
At 31 January 2016 and 1 February 2016	261,299
Additions (Note 9)	14,411
At 31 January 2017	275,710

21. Trade and other payables (cont'd)

(c) Provisions (cont'd)

Provision for unutilised annual leave

Being employees' benefits accrued in respect of their unutilised annual leave entitlements.

Provision for legal expenses

Being provision for legal expense in relation to the appeal against the Court of Appeal decision as disclosed in Note 34.

(d) Amount owing to holding and related companies (non-trade)

These amounts are unsecured, interest free and are repayable on demand.

(e) Sundry payables

Included in sundry payables are outstanding amounts for the acquisition of long term leasehold land (classified under property, plant and equipment) from non-controlling shareholders of subsidiaries. These are unsecured and have the following repayment terms :

	Group	
	2017	**2016**
	RM	**RM**
Payable within 12 months	100,000	1,000,000
Payable after 12 months	187,898	271,693
	287,898	1,271,693

The amount payable after 12 months is bearing effective interest of 7.60% (2016 : 7.60%) per annum. This interest rate was used for the purpose of remeasurement of the outstanding amount to its amortised cost in accordance with FRS 139.

22. Loans and borrowings

	Group	
	2017	**2016**
	RM	**RM**
Current		
Secured:		
Bank overdrafts (Note 20)	2,019,508	2,854,672
Revolving credit	7,500,000	7,500,000
Term loan 1	4,020,000	4,020,000
Term loan 2	4,020,000	3,350,000
	17,559,508	17,724,672
Non-current		
Secured:		
Term loan 1	4,925,000	8,945,000
Term loan 2	12,630,000	16,650,000
	17,555,000	25,595,000
	35,114,508	43,319,672

22. Loans and borrowings (cont'd)

The remaining maturities of the loans and borrowings as at the reporting date are as follows:

	Group	
	2017	**2016**
	RM	**RM**
On demand or within one year	17,559,508	17,724,672
More than 1 year and less than 2 years	8,040,000	8,040,000
More than 2 years and less than 5 years	9,515,000	16,985,000
More than 5 years	-	570,000
	35,114,508	43,319,672

The facilities extended by financial institutions are secured by :

(i) corporate guarantee from the Company; and
(ii) personal guarantee of RM960,000 from a shareholder of a subsidiary.

The term loan 1 is repayable over 59 equal monthly instalments of RM335,000 each with a final instalment of RM235,000 commencing from May 2014.

The term loan 2 is repayable over 59 equal monthly instalments of RM335,000 with a final instalment of RM235,000 commencing from April 2016.

As at the reporting date, the loans and borrowings of the Group bear interest at the following rates:

	Group	
	2017	**2016**
	% per annum	**% per annum**
Interest rates		
Overdrafts	BLR + 1% to 1.25%	BLR + 1% to 1.25%
Term loan 1	5.25%	5.25%
Term loan 2	COF + 1%	COF + 1%
Revolving credit	COF + 1%	COF + 1%

As at the end of the financial year, base lending rate ("BLR") ranges from 6.60% to 6.65% per annum (2016: 6.85% to 6.92% per annum) and the cost of fund ("COF") ranges from 3.60% to 3.79% per annum (2016: 2.87% - 3.80% per annum).

23. Deferred tax

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
At beginning of the financial year	38,365,425	40,518,601	13,187,354	12,579,282
Recognised in other comprehensive income	44,293	-	-	-
Recognised in profit or loss (Note 11)	1,112,024	(2,153,176)	497,072	608,072
At end of the financial year	39,521,742	38,365,425	13,684,426	13,187,354
Presented after appropriate offsetting as follows :				
Deferred tax assets	(13,300,000)	(13,522,000)	-	-
Deferred tax liabilities	52,821,742	51,887,425	13,684,426	13,187,354
	39,521,742	38,365,425	13,684,426	13,187,354

The components and movements of deferred tax liabilities/(assets) during the financial year are as follows :

		Recognised in		
	At 1 February 2016	**other comprehensive income**	**profit or loss (Note 11)**	**At 31 January 2017**
Group	**RM**	**RM**	**RM**	**RM**
Deferred tax liabilities				
Biological assets and property, plant and equipment	52,232,700	-	(163,900)	52,068,800
Accrued interest income	103,000	-	(18,000)	85,000
Derivatives	-	44,293	-	44,293
Revaluation of leasehold land	19,276,725	-	(277,076)	18,999,649
	71,612,425	44,293	(458,976)	71,197,742
Offsetting	(19,725,000)	-	1,349,000	(18,376,000)
	51,887,425	44,293	890,024	52,821,742
Deferred tax assets				
Provisions	(63,000)	-	(3,000)	(66,000)
Unutilised reinvestment allowances	(4,312,000)	-	1,055,000	(3,257,000)
Unutilised investment tax allowances	(6,241,000)	-	(1,000)	(6,242,000)
Unabsorbed capital allowances	(9,808,500)	-	(254,000)	(10,062,500)
Unused tax losses	(10,976,500)	-	970,000	(10,006,500)
Unrealised profits	(1,846,000)	-	(196,000)	(2,042,000)
	(33,247,000)	-	1,571,000	(31,676,000)
Offsetting	19,725,000	-	(1,349,000)	18,376,000
	(13,522,000)	-	222,000	(13,300,000)
	38,365,425	44,293	1,112,024	39,521,742

23. Deferred tax (cont'd)

Group	At 1 February 2015 RM	Recognised in profit or loss (Note 11) RM	At 31 January 2016 RM
Deferred tax liabilities			
Biological assets and property, plant and equipment	48,933,600	3,299,100	52,232,700
Accrued interest income	136,700	(33,700)	103,000
Revaluation of leasehold land	19,553,801	(277,076)	19,276,725
	68,624,101	2,988,324	71,612,425
Offsetting	(17,094,000)	(2,631,000)	(19,725,000)
	51,530,101	357,324	51,887,425
Deferred tax assets			
Provisions	(51,000)	(12,000)	(63,000)
Unutilised reinvestment allowances	(2,240,000)	(2,072,000)	(4,312,000)
Unutilised investment tax allowances	(5,310,000)	(931,000)	(6,241,000)
Unabsorbed capital allowances	(9,101,500)	(707,000)	(9,808,500)
Unused tax losses	(9,571,000)	(1,405,500)	(10,976,500)
Unrealised profits	(1,832,000)	(14,000)	(1,846,000)
	(28,105,500)	(5,141,500)	(33,247,000)
Offsetting	17,094,000	2,631,000	19,725,000
	(11,011,500)	(2,510,500)	(13,522,000)
	40,518,601	(2,153,176)	38,365,425

Company	At 1 February 2016 RM	Recognised in profit or loss (Note 11) RM	At 31 January 2017 RM
Deferred tax liabilities			
Biological assets and property, plant and equipment	5,554,000	633,000	6,187,000
Accrued interest income	47,000	(16,000)	31,000
Revaluation of leasehold land	7,649,354	(116,928)	7,532,426
	13,250,354	500,072	13,750,426
Offsetting	(63,000)	(3,000)	(66,000)
	13,187,354	497,072	13,684,426
Deferred tax assets			
Provisions	(63,000)	(3,000)	(66,000)
Offsetting	63,000	3,000	66,000
	-	-	-
	13,187,354	497,072	13,684,426

23. Deferred tax (cont'd)

Company	At 1 February 2015 RM	Recognised in profit or loss (Note 11) RM	At 31 January 2016 RM
Deferred tax liabilities			
Biological assets and property, plant and equipment	4,801,000	753,000	5,554,000
Accrued interest income	63,000	(16,000)	47,000
Revaluation of leasehold land	7,766,282	(116,928)	7,649,354
	12,630,282	620,072	13,250,354
Offsetting	(51,000)	(12,000)	(63,000)
	12,579,282	608,072	13,187,354
Deferred tax assets			
Provisions	(51,000)	(12,000)	(63,000)
Offsetting	51,000	12,000	63,000
	-	-	-
	12,579,282	608,072	13,187,354

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

	Group 2017 RM	Group 2016 RM
Unused tax losses	4,322,000	4,053,000
Unutilised investment tax allowances	9,672,000	9,672,000
Unutilised reinvestment allowances	4,307,000	4,327,000
Unabsorbed capital allowances	4,400,000	3,880,000
Other temporary differences	8,781,000	8,654,000
	31,482,000	30,586,000
Deferred tax @ 24% (2016 : 24%)	7,555,680	7,340,640

The availability of unused tax losses and unutilised tax allowances for offsetting against future taxable profits is subject to the provisions of the Income Tax Act,1967.

24. Share capital

	Number of ordinary shares		Amount	
	2017	2016	2017 RM	2016 RM
Issued and fully paid				
At beginning of the financial year	311,803,569	311,108,469	311,803,569	311,108,469
Issued during the year :				
- exercise of ESOS	-	695,100	-	695,100
At end of the financial year	311,803,569	311,803,569	311,803,569	311,803,569

(a) Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Implementation of Companies Act 2016

With effect from 31 January 2017, all entities shall comply with the Companies Act 2016 ("CA 2016") in the preparation of financial statements for the financial year ending on or after 31 January 2017.

Section 74 of CA 2016 states that all shares issued before or after 31 January 2017 shall have no par or nominal value. CA 2016 provides certain transitional provisions relating to the abolition of nominal value. Section 618(2) of CA 2016 states that upon the commencement of Section 74 of CA 2016, the share premium account and capital redemption reserve shall become part of share capital.

On 31 January 2017, the amount in the share premium account amounting to RM6,626,014 has yet to be transferred to share capital of the Company.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired 20,000 (2016: 20,000) shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM67,991 (2016: RM61,972) and this was presented as a component within shareholders' equity.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distributions are suspended.

24. Share capital (cont'd)

(b) Treasury shares (cont'd)

Movements in the treasury shares are as follows:

	Number of shares	Amount RM	Average cost per share RM
At 1 February 2015	562,000	1,495,890	2.66
Repurchased during the year	20,000	61,972	3.10
At 31 January 2016 and 1 February 2016	582,000	1,557,862	2.68
Repurchased during the year	20,000	67,991	3.40
At 31 January 2017	602,000	1,625,853	2.70

25. Share premium (non-distributable)

	Group 2017 RM	Group 2016 RM
At beginning of the financial year	6,626,014	5,505,048
Arising from :		
(a) Issuance of shares arising from exercise of ESOS	-	890,091
(b) Transfer from option reserve arising from exercise of ESOS	-	237,985
Less : Expenses in relation to issuance of shares	-	(7,110)
At end of the financial year	6,626,014	6,626,014

26. Other reserves

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-distributable				
Revaluation reserve (Note 27)	38,337,212	39,169,756	13,242,305	13,449,029
Hedging reserve (Note 28)	140,261	-	-	-
	38,477,473	39,169,756	13,242,305	13,449,029

27. Revaluation reserve (non-distributable)

The revaluation reserve represents the balance of revaluation surplus, net of tax, arising from the revaluation of certain leasehold lands, less amount capitalised through bonus issue.

28. Hedging reserve (non-distributable)

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.

29. Retained earnings

The Company may distribute dividends out of its retained earnings as at 31 January 2017 and 2016 under the single tier system.

30. Transfer of reserves

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Realisation of revaluation surplus on leasehold land, net of tax, arising from :				
- excess of amortisation based on revalued leasehold land	832,544	832,544	206,724	206,724

31. Related party disclosures

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant transactions between the Group and related parties during the financial year:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
With holding company:				
Professional services	141,000	98,000	90,000	55,000
Purchase of plant and equipment	200,000	-	200,000	-
With subsidiaries:				
Management fee income	-	-	4,242,850	4,691,617
Commission income	-	-	1,318,117	1,060,153
Rental income	-	-	36,000	36,000
Interest income	-	-	7,766,531	7,098,541
Purchase of goods and services	-	-	17,526	35,618
Sale of goods	-	-	13,051,727	7,448,033
Purchase of plant and equipment	-	-	-	35,000
Sales of plant and equipment	-	-	-	30,000
With fellow subsidiaries of the holding company:				
Management fee income	124,165	124,165	124,165	124,165
Rental expenses	5,000	6,000	-	-
Disposal of subsidiary company	-	6,000	-	6,000
Purchase of goods and services	8,219,151	5,666,486	-	-
Sale of goods and services	241,215	78,400	-	-

Related companies are fellow subsidiaries of the holding company, Sharikat Kim Loong Sendirian Berhad.

31. Related party disclosures (cont'd)

(b) Key management compensation

The remuneration of key management personnel during the financial year is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Short term employee benefits	8,343,691	5,019,624	4,845,922	2,882,914
Defined contribution plan	1,007,437	599,030	614,707	369,775
Share options granted under ESOS	-	3,255	-	-
	9,351,128	5,621,909	5,460,629	3,252,689

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Included in the total remuneration of key management personnel are:				
Executive Directors' remuneration	6,807,711	4,985,924	3,649,745	3,252,689

Executive Directors of the Group and of the Company and other members of key management have been granted the following number of share options under the ESOS:

	2017	2016
At beginning of the financial year	-	23,600
Exercised	-	(21,000)
Forfeited	-	(2,600)
At end of the financial year	-	-

The share options were granted on the same terms and conditions as those offered to other employees of the Group.

32. Commitments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(a) Capital expenditures : Approved and contracted for:				
- property, plant and equipment	8,647,000	2,189,000	-	191,000

32. Commitments (cont'd)

(b) Rental commitments
The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Future minimum rental payments:				
Not later than 1 year	259,179	171,916	191,979	104,716
Later than 1 year and not later than 5 years	600,399	268,800	331,599	-
Later than 5 years	683,200	750,400	-	-
	1,542,778	1,191,116	523,578	104,716

33. Segmental information

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

(a) Plantation - cultivation of oil palm
(b) Milling - processing and marketing of oil palm products

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

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

33. Segmental information (cont'd)

	Plantation RM	Milling RM	Adjustments and eliminations RM	Total RM
31 January 2017				
Revenue and expenses				
Revenue				
External sales	24,947,527	867,539,534	106,125	892,593,186
Inter-segment sales	118,337,542	1,205,920	(119,543,462)	-
Total revenue	143,285,069	868,745,454	(119,437,337)	892,593,186
Results				
Segment results	65,969,327	43,776,324	(1,094,000)	108,651,651
Unallocated costs				(4,909,616)
Interest income				8,894,282
Finance costs				(1,471,605)
Profit before tax				111,164,712
Tax				(25,477,159)
Profit net of tax				85,687,553
Assets and liabilities				
Segment assets	480,588,861	322,981,462	(80,952,708)	722,617,615
Unallocated assets				126,341,777
Total assets				848,959,392
Segment liabilities	95,564,450	151,452,107	(78,469,708)	168,546,849
Unallocated liabilities				6,966,806
Total liabilities				175,513,655
Other information				
Capital expenditure	7,908,826	15,304,781	-	23,213,607
Depreciation and amortisation	13,803,037	16,783,532	-	30,586,569
Impairment loss on biological assets, property, plant and equipment	486,009	-	-	486,009
Other non-cash expenses (Note A)	270,659	1,232,209	-	1,502,868

33. Segmental information (cont'd)

	Plantation RM	Milling RM	Adjustments and eliminations RM	Total RM
31 January 2016				
Revenue and expenses				
Revenue				
External sales	20,505,874	737,224,516	-	757,730,390
Inter-segment sales	104,424,290	1,386,516	(105,810,806)	-
Total revenue	124,930,164	738,611,032	(105,810,806)	757,730,390
Results				
Segment results	46,894,455	57,260,569	(41,000)	104,114,024
Unallocated costs				(4,211,026)
Interest income				8,724,214
Finance costs				(1,047,848)
Profit before tax				107,579,364
Tax				(21,915,429)
Profit net of tax				85,663,935
Assets and liabilities				
Segment assets	481,449,834	311,206,664	(89,933,830)	702,722,668
Unallocated assets				102,331,190
Total assets				805,053,858
Segment liabilities	90,290,670	143,483,250	(88,282,830)	145,491,090
Unallocated liabilities				5,349,271
Total liabilities				150,840,361
Other information				
Capital expenditure	12,970,572	24,246,876	-	37,217,448
Depreciation and amortisation	12,599,885	15,443,420	-	28,043,305
Impairment loss on biological assets, property, plant and equipment	207,194	1,207,327	-	1,414,521
Other non-cash expenses (Note A)	522,067	882,998	-	1,405,065

33. Segmental information (cont'd)

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

A Other non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	2017 RM	2016 RM
Bad debts (Note 8)	30,772	166,316
Property, plant and equipment written off (Note 8)	613,965	675,481
Biological assets written off (Note 8)	2	6
Inventories written down (Note 8)	719,428	270,667
Provision for unutilised leave (Note 9)	14,411	50,661
Loss on disposal of property, plant and equipment (Note 8)	112,683	132,905
Inventories written off (Note 8)	11,607	13,241
Share-based payment expenses (Note 9)	-	95,788
	1,502,868	1,405,065

34. Contingent liabilities (unsecured)

On 18 February 2011, the High Court has delivered its judgement on the legal claims made against a subsidiary, Winsome Pelita (Pantu) Sdn. Bhd. by natives for customary rights to land acquired by the subsidiary in favour of the applicants. It is declared and ordered as follows:

(1) The plaintiffs are entitled to their claim to land under native customary rights in the Sungai Tenggang NCR Development area at Pantu;

(2) The destruction of the Plaintiffs' respective native customary rights land by the defendants was unlawful and damages to be assessed by the Deputy Registrar be paid by the defendants with interest at 4% per annum from the date hereof until settlement;

(3) Give vacant possession of the Plaintiffs' native customary rights land;

(4) The defendants and their servants, agents, assignees and successors are restrained from entering, occupying, clearing, harvesting or in any way howsoever carrying out works in the plaintiffs' native customary rights land; and

(5) Costs to the Plaintiffs to be paid by the defendants to be taxed unless agreed.

On 9 March 2011, the Group has obtained for a stay of execution and filed an appeal against the judgement. On 29 December 2014, the Court of Appeal has dismissed the Group's appeal.

The Group had on 23 January 2015 filed a Notice of Motion for leave to appeal to the Federal Court. A Notice of Motion for stay of all proceedings pending the Notice of Motion for leave to appeal to the Federal Court was filed on 26 January 2015.

The Federal Court had on 14 January 2016 allowed the subsidiary company's Notice of Motion for Leave to Appeal to the Federal Court against the decision of the Court of Appeal. The Federal Court has heard the Appeal on 7 February 2017 and 27 March 2017 and the Appeal has been adjourned by the Federal Court to 23 May 2017.

The Directors of the Group has sought opinion from the independent solicitors and they are of the view that the Group has a fair prospect of succeeding in this Appeal. Nevertheless, the Group has assessed its estimated loss to the areas claimed and provided for an impairment loss of property, plant and equipment and biological assets of approximately RM2,918,000 (2016: RM2,918,000) as disclosed in Note13 and Note 15 respectively. The Group has also provided legal expenses of approximately RM227,000 (2016: RM361,000) in relation to this litigation as disclosed in Note 21(c).

35. Financial risk management objectives and policies

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

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Managing Director. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that derivatives may be undertaken for the use as hedging instruments where appropriate and cost-efficient.

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

(a) Credit risk

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

Credit risk is controlled by careful selection of customers and setting of appropriate credit limits. The Group does not have any significant exposure to any individual customer.

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

At the reporting date, the Company provided corporate guarantees for six (2016: six) of its subsidiaries in respect of credit facilities totalling RM53,945,000 (2016: RM61,315,000) granted to the subsidiaries by licensed financial institutions. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities of RM34,833,825 (2016: RM43,049,742) utilised by these subsidiaries as at reporting date.

The value of corporate guarantees provided by the Company to its subsidiaries are determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank if these guarantees had not been available. The Directors have assessed the fair value of these corporate guarantees to have no material financial impact on the results and the retained profits of the Company.

Credit risk concentration profile

The Group and the Company are not exposed to any significant concentration of credit risk in the form of receivables due from a single debtor or from groups of debtors.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 18. Deposits with banks and other financial institutions and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

35. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from the financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness. At the reporting date, assets held by the Group and the Company for managing liquidity risk included cash and short term deposits and borrowings as disclosed in Note 20 and Note 22.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
2017				
Group				
Financial liabilities				
Trade and other payables	67,283,673	200,000	-	67,483,673
Loans and borrowings	18,611,089	18,629,480	-	37,240,569
Total undiscounted financial liabilities	85,894,762	18,829,480	-	104,724,242
Company				
Financial liabilities				
Trade and other payables	3,676,645	-	-	3,676,645
2016				
Group				
Financial liabilities				
Trade and other payables	51,759,073	300,000	-	52,059,073
Loans and borrowings	19,197,981	27,183,936	570,865	46,952,782
Total undiscounted financial liabilities	70,957,054	27,483,936	570,865	99,011,855
Company				
Financial liabilities				
Trade and other payables	3,874,499	-	-	3,874,499

35. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from a combination of fixed and floating rate borrowings and cash and cash equivalents. To manage this mix in a cost-efficient manner, the Group may enter into interest rate swaps to manage certain floating rate borrowings.

Sensitivity analysis for interest rate risk
At the reporting date, if interest rates had been 25 basis points higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM516,000 (2016: RM390,000) higher/lower, arising mainly as a result of higher/lower interest income from cash and cash equivalents, offset by higher/lower interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of the Group and of the Company's financial instruments will fluctuate because of changes in commodity prices.

The Group and the Company are exposed to commodity price risk arising from the commodity futures/swap contracts entered into to hedge its forecasted sale of fresh fruits bunches. Changes in the spot and forward prices of CPO will cause corresponding changes in the fair values of the commodity futures/swap contracts. The Group applies cash flow hedge accounting on its commodity futures/swap contracts which qualify for hedge accounting.

(e) Fair value of financial instruments

(i) Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Carrying amount		Fair value	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Company				
Financial assets:				
Other receivables (non-current) (Note 18)				
- Amount owing from subsidiaries	121,532,899	91,490,669	*	*

* The amount owing from subsidiaries which have no fixed terms of repayment are treated as quasi-equity in nature, and are repayable only when the cash flows of the borrowers permit. Accordingly, the fair values of these balances are not determinable as the timing of the future cash flows arising from the balances cannot be estimated reliably.

35. Financial risk management objectives and policies (cont'd)

(e) Fair value of financial instruments (cont'd)

(ii) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	18
Trade and other payables (current)	21

The carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values due to their relatively short maturity periods.

(iii) Loans and borrowings

The fair values of borrowings are estimated by discounting expected future cash flows at the market incremental lending rate for similar types of borrowings at the reporting date.

There is no significant difference between the interest rate on the Group's fixed rate borrowings and the market interest rate for similar types of borrowings at the reporting date. Therefore, the carrying amounts of the non-current portion of borrowings are reasonable approximations of fair value.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(iv) Derivatives

Fair value of commodity swap contract is calculated by reference to forward rates or prices quoted at the reporting date for contracts with similar maturity profiles.

(v) Fair value hierarchy

As at the financial year end, the Group held the following financial assets and liabilities measured at fair value:

Group	**31 January 2017**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value				
Derivatives				
- Commodity swap	184,554	-	184,554	-

There was no outstanding derivative instruments as at 31 January 2016.

There were no transfers between the various categories in the hierarchy of fair value measurement during the reporting period ended 31 January 2017.

36. Financial instruments

The financial instruments of the Group and of the Company are categorised into the following classes:

	Note	2017 RM	2016 RM
Group			
(a) Loans and receivables			
Trade and other receivables	18	28,555,925	28,430,535
Cash and bank balances	20	285,520,889	231,474,848
		314,076,814	259,905,383
(b) Financial liabilities carried at amortised cost			
Trade and other payables	21	67,471,571	52,030,766
Loans and borrowings	22	35,114,508	43,319,672
		102,586,079	95,350,438
(c) Financial assets designated as effective hedging instruments carried at fair value			
Derivatives	19	184,554	-
Company			
(a) Loans and receivables			
Trade and other receivables	18	130,274,899	137,729,102
Cash and bank balances	20	100,925,828	91,246,750
		231,200,727	228,975,852
(b) Financial liabilities carried at amortised cost			
Trade and other payables	21	3,676,645	3,874,499

37. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 January 2017 and 31 January 2016.

38. Dividends

	Group and Company	
	2017	2016
	RM	RM
Recognised during the year:		
In respect of financial year 2015:		
- Final single-tier dividend of 6 sen per share	-	18,673,894
In respect of financial year 2016:		
- Special single-tier dividend of 10 sen per share	-	31,123,157
- Interim single-tier dividend of 7 sen per share	-	21,786,210
- Final single-tier dividend of 6 sen per share	18,672,694	-
In respect of financial year 2017:		
- Interim single-tier dividend of 7 sen per share	21,784,810	-
- Special single-tier dividend of 5 sen per share	15,560,079	-
	56,017,583	71,583,261
Proposed for approval at AGM (not recognised as at 31 January):		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final single-tier dividend for 2017 : 8 sen (2016 : 6 sen) per share	24,896,126	18,673,294

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 January 2017, of 8 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 January 2018.

The proposed final dividend of RM24,896,126 is subject to change in proportion to the changes in the Company's issued and paid up capital, if any.

39. Authorisation of financial statements for issue

The financial statements for the year ended 31 January 2017 were authorised for issue in accordance with a resolution of the Directors on 22 May 2017.

40. Supplementary Information - Breakdown of retained profits into Realised and Unrealised

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed entities pursuant to Paragraph 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 January 2017 and 2016, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Total retained earnings of the Company and its subsidiaries				
- Realised	312,004,777	295,408,548	25,014,451	24,400,621
- Unrealised	(22,538,000)	(20,937,000)	(6,218,000)	(5,601,000)
	289,466,777	274,471,548	18,796,451	18,799,621
Less:				
Consolidation adjustments	(51,399,272)	(50,550,121)	-	-
Retained earnings as per financial statements	238,067,505	223,921,427	18,796,451	18,799,621

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

ANALYSIS OF SHAREHOLDINGS

AS AT 21 APRIL 2017

Issued and Fully Paid Up Capital	:	RM311,803,569 consisting of 311,803,569 ordinary shares
Class of Shares	:	Ordinary shares
Voting Rights	:	1 vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS (As per Record of Depositors)

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100 shares	73	1.87	2,050	0.00
100 to 1,000 shares	486	12.42	353,858	0.11
1,001 to 10,000 shares	2,468	63.07	9,816,274	3.15
10,001 to 100,000 shares	746	19.06	23,366,206	7.51
100,001 to less than 5% of shares	139	3.55	81,371,031	26.15
5% and above of shares	1	0.03	196,292,150	63.08
Total	3,913	100.00	311,201,569 Ω	100.00

Ω is equivalent to 311,803,569 less 602,000 shares bought back and retained as treasury shares

THIRTY LARGEST SHAREHOLDERS (As per Record of Depositors)

	Name of Shareholders	No. of Shares held	% of Issued capital
1.	Sharikat Kim Loong Sendirian Berhad	196,292,150	63.08
2.	Teo Chuan Keng Sdn. Bhd.	6,553,200	2.11
3.	Morisem Consolidated Sdn. Bhd.	6,087,800	1.96
4.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Pershing LLC for Krishnan Chellam	5,342,400	1.72
5.	Koperasi Polis DiRaja Malaysia Berhad	2,800,000	0.90
6.	Amanahraya Trustees Berhad - PB Smallcap Growth Fund	2,099,000	0.67
7.	Golden Fresh Sdn. Bhd.	2,000,000	0.64
8.	Timbas Helmi Bin Oesman Joesoef Helmi	2,000,000	0.64
9.	Neoh Choo Ee & Company, Sdn. Berhad	1,698,198	0.55
10.	Gan Teng Siew Realty Sdn. Berhad	1,500,000	0.48
11.	Key Development Sdn. Berhad	1,500,000	0.48
12.	DB (Malaysia) Nominees (Tempatan) Sendirian Berhad - Exempt an for Bank of Singapore Limited	1,355,000	0.44
13.	HSBC Nominees (Tempatan) Sdn. Bhd. - HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	1,314,500	0.42
14.	Prudent Strength Sdn. Bhd.	1,235,600	0.40
15.	Gooi Seow Mee	1,203,552	0.39
16	Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Gooi Seong Heen (E-JBU)	1,152,360	0.37
17.	Ang Chai Eng	1,100,000	0.35
18.	Herng Yuen Sdn. Bhd.	1,086,400	0.35
19.	Citigroup Nominees (Tempatan) Sdn. Bhd. - Exempt An For OCBC Securities Private Limited (Client A/C-RES)	1,069,999	0.34

Analysis Of Shareholdings

As at 21 April 2017 (cont'd)

Name of Shareholders		No. of Shares held	% of Issued capital
20.	Khoo Heng Suan	1,033,760	0.33
21.	Gooi Seong Chneh	1,012,360	0.33
22.	Lim Weng Ho	977,600	0.31
23.	Amanahraya Trustees Berhad - Public Strategic Smallcap Fund	839,200	0.27
24.	Radeshah binti Ridzwani	835,800	0.27
25.	Lim Khuan Eng	800,000	0.26
26.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Gan Tee Jin	798,000	0.26
27.	Loh Boon Hong	790,000	0.25
28.	Teo Tian Chai Sdn. Bhd.	789,600	0.25
29.	Loh Boon Siong	788,000	0.25
30.	Loh Boon Fan	743,200	0.24
	TOTAL	246,797,679	79.30

The thirty largest shareholders refer to the thirty securities account holders having the largest number of securities according to the Record of Depositors (without aggregating the shares from different securities accounts belonging to the same depositor).

SUBSTANTIAL SHAREHOLDERS (excluding bare trustees) (As per Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of shares held or beneficially interested in		% of Issued capital	
	Direct	Indirect	Direct	Indirect
Sharikat Kim Loong Sendirian Berhad	196,907,702	–	63.27	–
Gooi Seong Lim	683,552 [(a)]	199,442,101 [(b)]	0.22	64.09
Gooi Seong Heen	1,767,912 [(c)]	198,106,102 [(d)]	0.57	63.66
Gooi Seong Chneh	1,627,912	198,106,102 [(e)]	0.52	63.66
Gooi Seong Gum	132,600	198,162,102 [(f)]	0.04	63.68

DIRECTORS' SHAREHOLDINGS (As per Register of Directors' Shareholdings)

Name of Directors	Direct Interest Shareholdings	%	Indirect Interest Shareholdings	%
Gooi Seong Lim	683,552 [(a)]	0.22	199,442,101 [(b)]	64.09
Gooi Seong Heen	1,767,912 [(c)]	0.57	198,106,102 [(d)]	63.66
Gooi Seong Chneh	1,627,912	0.52	198,106,102 [(e)]	63.66
Gooi Seong Gum	132,600	0.04	198,162,102 [(f)]	63.68
Gan Kim Guan	-	-	-	-
Chan Weng Hoong	-	-	-	-
Cheang Kwan Chow	-	-	-	-
Gooi Khai Chien	-	-	999,999 [(g)]	0.32
Gooi Chuen Kang	-	-	-	-

Notes:-

(a) 683,552 shares held in bare trust by UOB Kay Hian Nominees (Tempatan) Sdn. Bhd.

(b) Deemed interest by virtue of his interest in Sharikat Kim Loong Sendirian Berhad ("SKL") which holds 196,907,702 shares, Herng Yuen Sdn. Bhd. ("HY") which holds 1,086,400 shares, 999,999 shares held in bare trust by Citigroup Nominees (Tempatan) Sdn. Bhd. for Wilgain Holdings Pte. Ltd. of which Gooi Seong Lim is a director and major shareholder and his spouse, Lim Phaik Ean, who holds 448,000 shares.

(c) 615,552 and 1,152,360 shares held in bare trust by CIMB Group Nominees (Tempatan) Sdn. Bhd. and Public Nominees (Tempatan) Sdn. Bhd. respectively.

(d) Deemed interest by virtue of his interest in SKL which holds 196,907,702 shares, HY which holds 1,086,400 shares and his spouse, Looi Kok Yean, who holds 112,000 shares.

(e) Deemed interest by virtue of his interest in SKL which holds 196,907,702 shares, HY which holds 1,086,400 shares and his spouse, Lee T'ian C'ean, who holds 112,000 shares.

(f) Deemed interest by virtue of his interest in SKL which holds 196,907,702 shares, HY which holds 1,086,400 shares and his spouse, Teo Ai Mei, who holds 168,000 shares.

(g) Deemed interest by virtue of his interest in 999,999 shares held in bare trust by Citigroup Nominees (Tempatan) Sdn. Bhd. for Wilgain Holdings Pte. Ltd. of which Gooi Khai Chien is a director and major shareholder.

LIST OF PROPERTIES
HELD BY THE GROUP

Beneficial owner/ Location	Tenure- leasehold interest expiring on	Description and existing use	Land area (Ha)	Date of revaluation/ (acquisition)	Approx. age of building	Net carrying amount as at 31 January 2017 RM'000
Kim Loong Resources Berhad						
- CL 085311253	31/12/2077	Oil palm plantation	80.86	31 Jan 2004	Not applicable	1,589
- CL 085313079	31/12/2078	Oil palm plantation	384.25	31 Jan 2004	Not applicable	14,557
- CL 085311306	31/12/2077	Oil palm plantation	121.45	31 Jan 2004	Not applicable	3,430
- CL 085311315	31/12/2077	Oil palm plantation	102.51	31 Jan 2004	Not applicable	3,190
- CL 085311244	31/12/2077	Oil palm plantation	166.53	31 Jan 2004	Not applicable	7,100
District of Labuk/ Sugut, Sabah						
- CL 095317552	31/12/2085	Oil palm plantation	6.07	31 Jan 2004	Not applicable	122
- CL 095317561	31/12/2085	Oil palm plantation	5.93	31 Jan 2004	Not applicable	119
- CL 095315058	31/12/2085	Oil palm plantation	303.39	31 Jan 2004	Not applicable	6,088
- CL 095317436	31/12/2087	Oil palm plantation	14.25	31 Jan 2004	Not applicable	507
- CL 095310777	31/12/2078	Oil palm plantation	395.78	31 Jan 2004	Not applicable	10,539
- CL 095315049	31/12/2085	Oil palm plantation	343.90	31 Jan 2004	Not applicable	8,147
- CL 095316957	31/12/2086	Oil palm plantation	80.82	31 Jan 2004	Not applicable	3,103
- CL 095310428	31/12/2077	Oil palm plantation	81.06	31 Jan 2004	Not applicable	1,593
- CL 095310982	31/12/2078	Oil palm plantation	400.56	31 Jan 2004	Not applicable	13,792
- CL 095310526	31/12/2077	Oil palm plantation	243.74	31 Jan 2004	Not applicable	7,848
District of Kinabatangan, Sabah						
- Lot 7052, Section 64 Jalan Sekama Kuching, Sarawak	31/12/2779	Shoplot office	-	(01 Feb 2010)	33 years	1,239
Kim Loong - KPD Plantations Sdn. Bhd.						
- CL 255332631	31/12/2086	Oil palm plantation	1,610.00	31 Jan 2004	Not applicable	27,413
- CL 255340160	30/06/2032	Oil palm plantation	385.60 (1)	31 Jan 2004	Not applicable	4,927
District of Tongod, Sabah						
Okidville Holdings Sdn. Bhd.						
- CL 135328782 Sook, District of Keningau, Sabah	31/12/2083	Oil palm plantation	2,755.50	31 Jan 2004	Not applicable	40,278
Desa Okidville Sdn. Bhd.						
- CL 135367930 Sook, District of Keningau, Sabah	31/12/2080	Oil palm plantation	4,355.55	31 Jan 2004	Not applicable	50,411
Desa Kim Loong Palm Oil Sdn. Bhd.						
- CL 135367912	31/12/2080	Palm oil mill	12.14	31 Jan 2004	14 years	6,844
- CL 135367921	31/12/2080	Oil palm plantation	27.51	31 Jan 2004	Not applicable	1,476
- Part of CL 135367903	29/2/2064	Housing area, water reservoir and POME area	77.13 (1)	(01 Mar 2004)	Not applicable	4,063
Sook, District of Keningau, Sabah						

List Of Properties
Held by the Group (cont'd)

Beneficial owner/ Location	Tenure-leasehold interest expiring on	Description and existing use	Land area (Ha)	Date of revaluation/ (acquisition)	Approx. age of building	Net carrying amount as at 31 January 2017 RM'000
Kim Loong Palm Oil Mills Sdn. Bhd.						
- GRN 60265, Lot 2420	Freehold	Palm oil mill	24.18	31 Jan 2004	20 years	12,236
- H.S.(D) 32061, PTD 3878 & H.S.(D) 32062, PTD 3879 Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor	Freehold	Vacant land	8.22	(10 Mar 2003)	Not applicable	5,586
Winsome Al-Yatama Sdn. Bhd.						
- H.S.(D) 34747, PTD 828	08/11/2064	Oil palm plantation	1,085.63 [1]	(09 Nov 2004)	Not applicable	21,117
Palm Nutraceuticals Sdn. Bhd.						
- GRN 60265, Lot 2420 Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor	Freehold	Factory/office [2]	-	Not applicable	12 years	1,045
Kim Loong Technologies Sdn. Bhd.						
- GRN 60265, Lot 2420 Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor	Freehold	Factory [2]	-	Not applicable	11 years	877
Kim Loong Sabah Mills Sdn. Bhd.						
- CL 255340179 District of Tongod, Sabah	31/12/2086	Palm oil mill	13.80	(2 August 2007)	9 years	6,954
Kim Loong Technologies (Sabah) Sdn. Bhd.						
- CL 135367912 Sook, District of Keningau, Sabah	31/12/2080	Factory [2]	-	Not applicable	7 years	1,017
Kim Loong Power Sdn. Bhd.						
- GRN 60265, Lot 2420 Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor	Freehold	Factory/store [2]	-	Not applicable	8 years	575
- CL 135367912 Sook, District of Keningau, Sabah	31/12/2080	Fencing [2]	-	Not applicable	7 years	25
- CL 255340179 District of Tongod, Sabah	31/12/2086	Factory [2]	-	Not applicable	4 years	942

List Of Properties
Held by the Group (cont'd)

Beneficial owner/ Location	Tenure- leasehold interest expiring on	Description and existing use	Land area (Ha)	Date of revaluation/ (acquisition)	Approx. age of building	Net carrying amount as at 31 January 2017 RM'000
Winsome Pelita (Pantu) Sdn. Bhd. - Sungai Tenggang and Kranggas/ Mawang Sri Aman, Sarawak	NCR Native Land 60 years	Oil palm plantation	2,867.57	(06 Jan 2010)	Not applicable	49,369
Winsome Jaya Sdn. Bhd. - H.S.(D) 34748, PTD 413 Mukim Ulu Sungei Sedeli Besar, Kota Tinggi, Johor	26/8/2111	Oil palm plantation	47.74 [(1)]	(27 Aug 2013)	Not applicable	617
			16,001.67			318,735

(1) These lands were subleased from third parties.
(2) These buildings are sited on rented land held by related companies.

KIM LOONG
RESOURCES BERHAD
(22703-K)
錦隆資源有限公司

FORM OF PROXY

CDS Account No.	
Contact No.	

I/We, ____

Company No./NRIC No. (new) ______________________ (old) ______________________

of ____

being (a) member(s) of Kim Loong Resources Berhad do hereby appoint: ______________________

NRIC No. (new) ______________________ (old) ______________________

of ____

and/or failing whom ______________________ NRIC No. (new) ______________________

(old) ______________________ of ______________________

or failing whom the Chairman of the Meeting as my/our proxy to attend and vote for me/us and on my/our behalf at the Forty-second Annual General Meeting of the Company to be held at the Diamond 3, Level 10, Holiday Villa Johor Bahru City Centre, No. 260, Jalan Dato' Sulaiman, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Tuesday, 25 July 2017 at 10.30 a.m. and at any adjournment thereof in the manner as indicated below:

No.	Ordinary Resolution	For	Against
1.	Adoption of Reports and Audited Financial Statements		
2.	Declaration of final dividend		
3.	Payment of Directors' fees		
4.	Payment of Directors' meeting allowance		
5.	Re-election of Director: Mr. Gooi Seong Heen		
6.	Re-election of Director: Mr. Gan Kim Guan		
7.	Re-election of Director: Mr. Chan Weng Hoong		
8.	Re-appointment of Auditors		
9.	Authority to allot and issue shares		
10.	Proposed Renewal of Authority for Share Buy-Back		
11.	Retention of Independent Non-Executive Director: Mr. Gan Kim Guan		
12.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

(Please indicate with an 'X' in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

Dated this _______ day of ___________ 2017

Number of shares held

____
Signature(s)/Common Seal of Member(s)

For appointment of two proxies, percentage of shareholdings to be represented by proxies:		
	No. of shares	**Percentage**
Proxy 1		
Proxy 2		
Total		**100%**

NOTES:

A member whose name appear in the Record of Depositors as at 18 July 2017 shall be regarded as a member entitled to attend, speak and vote at the meeting.

A member entitled to attend and vote at the meeting is entitled to appoint any person as his proxy to attend, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

To be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company not less than twenty-four (24) hours before the time set for holding the meeting or any adjournment thereof. If the appointor is a corporation, this Form must be executed under its common seal or under the hand of its attorney.

Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

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STAMP

The Secretary

KIM LOONG RESOURCES BERHAD

Unit No. 203, 2nd Floor, Block C,
Damansara Intan,
No. 1, Jalan SS 20/27,
47400 Petaling Jaya,
Selangor Darul Ehsan.

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KIM LOONG RESOURCES BERHAD (22703-K)

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