

# KLUANG RUBBER COMPANY (MALAYA) BERHAD

(Company No: 3441 K)  
Incorporated in Malaysia

**2018**  
ANNUAL REPORT



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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fifty-Ninth (59th) Annual General Meeting of **KLUANG RUBBER COMPANY (MALAYA) BERHAD** will be held at Ballroom 3, DoubleTree by Hilton Johor Bahru, Menara Landmark, 12 Jalan Ngee Heng, Bandar Johor Bahru, 80000 Johor Bahru, Johor, Malaysia on Thursday, 29 November 2018 at 12:00 p.m. to transact the following businesses:

### Agenda

#### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Directors' and Auditors' Reports thereon. *Please refer to Explanatory Note 8(a)(i)*
2. To declare and approve the payment of a Single Tier First and Final Dividend of 1 sen per share for the financial year ended 30 June 2018. **RESOLUTION 1**
3. To approve the payment of Directors' fees and benefits of up to RM 500,000 for the financial year ending 30 June 2019. **RESOLUTION 2**
4. To re-elect the following Directors who retire by rotation in accordance with the Company's Constitution:
  - a) Mr. Cheong Mun Hong - Clause 22.4 of the Constitution **RESOLUTION 3**
  - b) Mr. Balaraman A/L Annamaly - Clause 22.4 of the Constitution **RESOLUTION 4**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration. **RESOLUTION 5**

#### SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without modifications:

6. **ORDINARY RESOLUTION:  
CONTINUATION OF TERMS OF OFFICE OF MR. LEE SOO HOON AS  
INDEPENDENT NON-EXECUTIVE DIRECTOR** **RESOLUTION 6**

“THAT approval be and is hereby given to Mr. Lee Soo Hoon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to serve as an Independent Non-Executive Director of the Company”.

*Please refer to Explanatory Note 8(b)(i)*
7. **ORDINARY RESOLUTION:  
AUTHORITY TO DIRECTORS TO ALLOT SHARES PURSUANT TO SECTION  
75 OF THE COMPANIES ACT 2016** **RESOLUTION 7**

“THAT pursuant to Section 75 of the Companies Act, 2016 and subject to the approval of the relevant governmental / regulatory authorities (if any), the Directors be and are hereby authorised to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purposes and to such person or person whomsoever as the Directors may, in their absolute discretion deem fit provided that the aggregate number of shares to be allotted does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being **AND THAT** the Directors be and hereby also empowered to obtain approval for the listing of and quotation for the additional shares to be allotted on the Bursa Malaysia Securities Berhad **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by a resolution of the Company at a general meeting.”

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### 8. ORDINARY RESOLUTION:

**PROPOSED SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK AUTHORITY**  
"THAT subject always to the Companies Act 2016 ("Act"), the provisions of the Constitution of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Malaysia") upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that :

**RESOLUTION 8**

- (i) the aggregate number of shares purchased and/or held does not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Malaysia as at the point of purchase;
- (ii) an amount of funds not exceeding the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) at the time of purchase(s) will be allocated by the Company for the purchase of its own shares; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or to deal with the treasury shares in the manner allowed by the Act.

**AND THAT** the authority conferred by this resolution will commence immediately upon the passing of this Ordinary Resolution and will continue to be in force until :-

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever occurs first but shall not prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Listing Requirements and any other relevant authorities.

**AND THAT** authority be and is hereby given to the Directors of the Company to take all such steps as necessary or expedient to implement, finalise and give full effect to the Proposed Share Buy-Back Authority with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities with the Act, the provisions of the Constitution of the Company and the requirements and/or guidelines of Bursa Malaysia for the Main Market and all other relevant governmental and/or regulatory authorities."

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

9. **ORDINARY RESOLUTION:**

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING IN NATURE ENTERED INTO WITH KLUANG ESTATES (1977) SDN. BHD. ("PROPOSED SHAREHOLDERS' MANDATE")**

**RESOLUTION 9**

"THAT pursuant to Paragraph 10.09 of the Bursa Malaysia Main Market Listing Requirements, approval be and is hereby given to the Company to enter into and give effect to recurrent related party transactions of a revenue and trading nature with **Kluang Estates (1977) Sdn. Bhd.**, as set out in Sections 2.4 and 2.5 of Part B of the Circular to Shareholders dated 30 October 2018 which are necessary for their day-to-day operations, in the ordinary course of business made on arm's length basis and on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company; **AND THAT** the authority conferred by this Mandate shall commence immediately upon the passing of this Resolution and is subject to annual renewal. In this respect, the authority shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which time the authority will lapse unless the Authority is renewed by a resolution passed at such AGM;
- (ii) the expiration of the period within which the next AGM after that date, 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 Companies Act, 2016); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier,

**AND FURTHER THAT** the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give full effect to the Proposed Shareholders' Mandate."

10. **ORDINARY RESOLUTION:**

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ENTERED INTO WITH THE NYALAS RUBBER ESTATES LIMITED ("PROPOSED SHAREHOLDERS' MANDATE")**

**RESOLUTION 10**

"THAT pursuant to Paragraph 10.09 of the Bursa Malaysia Main Market Listing Requirements, approval be and is hereby given to the Company to enter into and give effect to recurrent related party transactions of a revenue and trading nature with **The Nyalas Rubber Estates Limited**, as set out in Sections 2.4 and 2.5 of Part B of the Circular to Shareholders dated 30 October 2018 which are necessary for their day-to-day operations, in the ordinary course of business made on arm's length basis and on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company; **AND THAT** the authority conferred by this Mandate shall commence immediately upon the passing of this Resolution and is subject to annual renewal. In this respect, the authority shall continue to be in force until:

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### 10. ORDINARY RESOLUTION: (cont'd)

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company following this AGM at which time the authority will lapse unless the Authority is renewed by a resolution passed at such AGM;
- (ii) the expiration of the period within which the next AGM after that date, 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 Companies Act, 2016); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier,

**AND FURTHER THAT** the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give full effect to the Proposed Shareholders’ Mandate.”

### 11. ORDINARY RESOLUTION:

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ENTERED INTO WITH ESTATE & TRUST AGENCIES (1927) LIMITED (“PROPOSED SHAREHOLDERS’ MANDATE”)**

**RESOLUTION 11**

“**THAT** pursuant to Paragraph 10.09 of the Bursa Malaysia Main Market Listing Requirements, approval be and is hereby given to the Company and its subsidiary to enter into and give effect to recurrent related party transactions of a revenue and trading nature with **Estate & Trust Agencies (1927) Limited**, as set out in Sections 2.4 and 2.5 of Part B of the Circular to Shareholders dated 30 October 2018 which are necessary for their day-to-day operations, in the ordinary course of business made on arm’s length basis and on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company; **AND THAT** the authority conferred by this Mandate shall commence immediately upon the passing of this Resolution and is subject to annual renewal. In this respect, the authority shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company following this AGM at which time the authority will lapse unless the Authority is renewed by a resolution passed at such AGM;
- (ii) the expiration of the period within which the next AGM after that date, 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 Companies Act, 2016); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier,

**AND FURTHER TO THAT** the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give full effect to the Proposed Shareholders’ Mandate.”

### 12. To transact any other ordinary business of which due notice shall have been given.

## **NOTICE OF ANNUAL GENERAL MEETING (cont'd)**

### **NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT DATES**

**NOTICE IS ALSO HEREBY GIVEN THAT** the Single Tier First and Final Dividend of 1 sen per share in respect of the financial year ended 30 June 2018, if approved at the forthcoming 59th Annual General Meeting of the Company, will be paid on 7 January 2019 to depositors registered in the Record of Depositors at the close of business on 14 December 2018.

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

- (a) Shares transferred into the Depositors Securities Account before 4.00 p.m. on 14 December 2018 in respect of ordinary transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitled basis according to the Rules of the Bursa Malaysia Securities Berhad.

**BY ORDER OF THE BOARD**  
**KLUANG RUBBER COMPANY (MALAYA) BERHAD**

SANTHI A/P SAMINATHAN (MAICSA NO.7069709)  
CHEN YEW TING (MAICSA NO.0869733)  
Company Secretaries  
Johor Bahru  
30 October 2018

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### Notes :

1. For the purpose of determining members' eligibility to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd, in accordance with Clause 19.6 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositor as at 21 November 2018. Only members whose names appear therein shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on his/her behalf.
2. A member entitled to attend and vote at the meeting may appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company and there shall be no restriction as to the qualification of the proxy. Where a member appoints more than 1 proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. In the case of a corporation, the proxy should be executed under its Common Seal or under the hand of the officer of attorney of the corporation duly authorised in writing on its behalf.
4. Where a member is an authorized 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.
5. Where a member 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.
6. The proxy form and the Power of Attorney or other authority (if any) under which it is signed, or notary certified copy thereof must be lodged at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 24 hours before the time of the meeting.
7. Pursuant to Paragraph 8.29(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of AGM shall be put to vote by poll.
8. Explanatory Note:

(a) Ordinary Business

(i) **Item 1 of the Agenda**

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

(b) Special Business

(i) **Item 6 of the Agenda**

**Resolution No. 6**

**Continuation of Terms of Office of Mr. Lee Soo Hoon as Independent Non-Executive Director**

Mr Lee Soo Hoon has served as Independent Non-Executive Directors ("INED") of the Company for a cumulative term of more than nine (9) years. However, he has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements. Therefore, the Board of Directors consider him to be independent and believes that he should be retained as Independent Non-Executive Director based on the justifications as set out in Appendix A on page 9 of the Annual Report 2018.

(ii) **Item 7 of the Agenda**

**Resolution No. 7**

**Authority to Directors to Allot Shares Pursuant to Sections 75 of the Companies Act 2016**

This is the renewal of the mandate obtained from the members at the last Annual General Meeting held on 28 November 2017 ("the previous Mandate"). There were no shares issued under the previous Mandate and hence no proceeds raised.

The proposed Resolution 7, if passed, would provide flexibility to the Company to undertake fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for allotment of shares as settlement of purchase consideration by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares to be issued pursuant to the mandate does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion on the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual general meeting is required to be held after the approval was given, whichever is earlier.



## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

**(iii) Item 8 of the Agenda**

**Resolution No. 8**

**Proposed Shareholders' Mandate for Share Buy-Back Authority**

*The proposed Resolution 8, if passed, will empower the Company to purchase and /or hold up to ten percent (10%) of the total number of issued shares of the Company. The mandate shall continue to be in force until the date of the next Annual General Meeting of the Company unless earlier revoked or varied by an ordinary resolution passed by the shareholders of the Company in general meeting and is subject to annual renewal. Further information on this resolution is set out in Part A of the Circular to shareholders dated 30 October 2018, which is dispatched together with the Annual Report 2018 of the Company.*

**(iv) Item 9, 10, and 11 of the Agenda**

**Resolutions No. 9, 10, and 11**

**Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

*The proposed Resolutions 9, 10 and 11, if passed, will renew the mandate for the Company to enter into recurrent related party transactions of a revenue or trading in nature with the related parties as specified in Sections 2.4 and 2.5 of Part B of the Circular to shareholders dated 30 October 2018, which is dispatched together with the Annual Report 2018 of the Company. The mandate shall continue to be in force until the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by resolution passed by the shareholders in general meeting and is subject to annual renewal.*

### PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representatives for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## **APPENDIX A**

### **ORDINARY RESOLUTION NO. 6 – CONTINUATION OF TERMS OF OFFICE OF MR. LEE SOO HOON AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

#### **Justifications**

- a. Mr. Lee Soo Hoon fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore is able to bring independent and objective judgment to the Board.
- b. He has been with the Company for more than nine (9) years and therefore understands the Company's business operations, which enables him to participate actively and contribute during deliberations or discussions at Audit Committee, Remuneration Committee, Nominating Committee, Risk Management Committee and Board meetings without compromising his independence and objective judgement.
- c. He has contributed sufficient time and efforts and attended all the Audit Committee, Remuneration Committee, Nominating Committee, Risk Management Committee and Board meetings as well as having meetings with the Internal and External Auditors without the presence of the Management and Executive Directors for informed and balanced decision making.
- d. He has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.
- e. The current Independent Directors are strong individuals demonstrating independence. Independence is a result of a director's state of mind and integrity and not dependent on years of service. The experience of the Independent Directors in the Company is valuable for determining the strategic direction for the continued stability and growth.

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

**1. DETAILS OF INDIVIDUALS STANDING FOR ELECTION AS DIRECTORS (EXCLUDING DIRECTORS  
STANDING FOR A RE-ELECTION)**

There is no individual standing for election as Director of the Company at this Annual General Meeting.

**2. GENERAL MANDATE FOR ISSUE OF SECURITIES PURSUANT TO PARAGRAPH 6.03(3) OF THE  
MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

The general mandate for issuance of shares by the Company under Sections 75 of the Companies Act 2016 is for the purpose of granting renewal of the mandate obtained from its shareholders at the 58th Annual General Meeting held on 28 November 2017.

The Company did not issue any shares pursuant to the mandate obtained at the 58th Annual General Meeting.

The purpose of this general mandate is for possible fund-raising exercise, including but not limited to further placement of shares for the purpose of funding current and/or future investments projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.

## **CORPORATE INFORMATION**

### **DIRECTORS**

LEE SOO HOON

*Independent Non-Executive Chairman*

LEE CHUNG-SHIH JUSTIN

*Executive Deputy Chairman*

TAY BENG CHAI

*Independent Non-Executive Director*

CHEW KHAT KHIAM ALBERT

*Independent Non-Executive Director*

CHEONG MUN HONG

*Executive Director*

BALARAMAN A/L ANNAMALY

*Executive Director*

### **SECRETARIES**

SANTHI A/P SAMINATHAN

CHEN YEW TING

### **AUDIT COMMITTEE MEMBERS**

CHEW KHAT KHIAM ALBERT

*Chairman*

LEE SOO HOON

TAY BENG CHAI

### **NOMINATING COMMITTEE MEMBERS**

CHEW KHAT KHIAM ALBERT

*Chairman*

LEE SOO HOON

TAY BENG CHAI

### **REMUNERATION COMMITTEE MEMBERS**

TAY BENG CHAI

*Chairman*

LEE SOO HOON

CHEW KHAT KHIAM ALBERT

## **CORPORATE INFORMATION (cont'd)**

### **RISK MANAGEMENT COMMITTEE MEMBERS**

LEE SOO HOON

*Chairman*

TAY BENG CHAI

CHEW KHAT KHIAM ALBERT

### **AUDITORS**

ERNST & YOUNG

*Chartered Accountants*

### **REGISTERED OFFICE**

SUITE 7E, LEVEL 7, MENARA ANSAR,

65 JALAN TRUS,

80000 JOHOR BAHRU, JOHOR

TEL: +60-7-224 1035 FAX: +60-7-221 0891

### **SHARE REGISTRAR**

SYMPHONY SHARE REGISTRARS SDN BHD (Company No. 378993-D)

LEVEL 6, SYMPHONY HOUSE,

PUSAT DAGANGAN DANA 1,

JALAN PJU 1A/46,

47301 PETALING JAYA,

SELANGOR DARUL EHSAN

TEL: 603-78418000 FAX: 603-78418151

### **BANKER**

OCBC BANK (MALAYSIA) BERHAD

### **STOCK EXCHANGE**

MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("*Bursa Malaysia*")

### **WEBSITE**

[www.kluangrubber.com](http://www.kluangrubber.com)

## **CHAIRMAN'S STATEMENT**

### **Dear Shareholders,**

In the year ended 30 June 2018, the Group generated revenue of RM29.10 million. This was made up of sales of fresh fruit bunches ("FFB"), dividend income, rental income and interest income. The 15% increase in revenue was primarily due to the increase from the sales of FFB and dividend income from quoted shares outside Malaysia.

For the year under review, the Group reported an operating profit of RM13.48 million.

The Group reported a profit, net of tax of RM13.75 million. In the current financial year, the share of profit from associates was RM0.96 million, while for the previous financial year ended 30 June 2017, the associates had a negative contribution of RM3.56 million.

As a result of the consolidation, not all of the above profit, net of tax, is attributed to the owners of the parent. For the year ended 30 June 2018, the net profit attributable to the owners of the parent was RM6.48 million.

The other comprehensive income for the year was RM17.43 million, which consisted mainly of fair value gain from investments of RM49.83 million and a negative contribution from foreign currency translation of RM30.34 million. The total comprehensive income for the year was RM31.17 million, with RM12.12 million attributable to the equity holders of the parent.

### **Dividends**

The Board is proposing a first and final single tier cash dividend of 1 sen per share for the year ended 30 June 2018. The proposed cash dividend for the financial year ended 30 June 2018 is subject to the approval of shareholders at the forthcoming Annual General Meeting.

### **Prospects**

The Group continues to remain positive on the long-term fundamentals of the oil palm industry, and is consistently open to value accretive opportunities in this sector. The Group's results will be affected by fluctuations in market valuation and foreign exchange differences.

In addition, we are cognizant of developments in Kluang, and are deliberating possibilities for selected areas of interest, with shareholders to be updated in due course.

The Board, management and our staff will continue to work together towards our long-term goals.

### **Appreciation**

On behalf of the Board of Directors, I would like to take this opportunity to thank all the Directors, the management and staff at all levels for their continuing efforts and immense contributions during the year.

We also wish to thank our customers, suppliers and valued shareholders for their unwavering and continuous support.

On behalf of the Board of Directors

**LEE SOO HOON**  
Chairman

## MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)

### Plantation Operations

The Group reported RM14.06 million from the sale of FFB in the year ended 30 June 2018. At the Group level, the results of Sungei Bagan Rubber Company (Malaya) Berhad’s plantation operations were consolidated.

As at 30 June 2018, the Group’s total planted area stood at 6,507 acres:

- Kluang Estate: 1,574 acres
- Sungei Bagan Estate & Kuala Pergau Estate: 4,933 acres

As at 30 June 2018, Kuala Pergau estate is fully planted with an immature acreage of 2,318 acres. Developments at Kuala Pergau estate is proceeding smoothly, with harvesting expected to commence in January 2019. By June 2019, the entire planted area at Kuala Pergau estate should be ready for harvesting. Upon prime maturity, Kuala Pergau estate is expected to be a significant contributor towards the Group’s plantation segment.

Key improvements at Kluang estate for the year ended 30 June 2018 included the following:

- Renovation of Manager’s bungalow
- Renovation of Assistant’s bungalow
- Establishment of car park bay at office site
- Construction of tractor bay

In addition, the Management is proactively implementing the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme at the estates, to be compliant with the scheme by June 2019.

The following is a performance review of the estates with the focus on Kluang estate.

#### Kluang Estate

In the year ended 30 June 2018, Kluang estate reported crop sales of RM6.31 million, higher than the previous year. This 7% increase over the previous year was primarily due to the 23% increase in FFB production from 9,268 MT to 11,431 MT. The FFB net average price for the year ended 30 June 2018 showed a decrease of 13% to RM552/MT.

For the year under review (July 2017 – June 2018), Crude Palm Oil (“CPO”) prices were in the range of RM2,200 to 2,800/MT, relatively lower than the range for the financial year ended 30 June 2017 (July 2016 - June 2017). As FFB prices are a function of CPO prices, this led to an decrease in Kluang estate’s FFB average selling prices from RM636/MT in the previous year to the current year’s RM552/MT.

A financial metric used to track plantation efficiency is the cost per tonne. For the year ended 30 June 2018, Kluang estate’s mature FFB cost of production (inclusive of capital expenditure) was RM244/MT, slightly higher than the previous year’s RM227/MT. As an upstream operator, we continue in the belief that our focus on cost management has served us well, and will continue to be beneficial to us in this industry.

Despite weather and labour challenges, Kluang estate delivered an FFB yield of 20.09 MT/ha. Malaysian Palm Oil Board’s (“MPOB”) Peninsular Malaysia average FFB yield was 19.02 MT/ha and MPOB’s Johor average FFB yield was 21.37 MT/ha over the corresponding period (July 2017 – June 2018). The Company acknowledges the good work by our plantation managers over the financial year ended 30 June 2018.

Management is diligently working towards improving factors within our control. One such operation includes labour issues, which we believe is affecting most labour-intensive sectors in Malaysia, especially crucial towards the successful operation of an upstream plantation operation.

## **MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (cont’d)**

### **Plantation Operations (cont’d)**

With a total planted area of 1,574 acres (in line with the previous year), the weighted average age of Kluang estate’s oil palms was 11 years. The age profile of Kluang estate at 30 June 2018 as a percentage of planted area is as follows:

- Immature (0 - 3): 11%
- Mature – Young (4 - 7): 26%
- Mature – Prime (8 - 17): 37%
- Mature – Tall (≥ 18): 26%

With 63% of Kluang estate made up of palms between the ages of 4-17 years, we remain optimistic on Kluang estate’s production capabilities for the financial year ending 30 June 2019. The Company has in place a framework to assess the replanting requirements based on maturity and yield, and Management is satisfied with the current age profile of the plantation.

A detailed breakdown of the Kluang estate’s planted area is included in the segment titled “Planted Area Age Profile”.

### Sungei Bagan Estate

Revenue from Plantation operations was up 11% to RM7.75 million primarily due to a 27% increase FFB production from 11,043 MT to 14,072 MT. As FFB prices are a function of CPO prices, this led to a decrease in Sungei Bagan estate’s FFB average selling prices from RM635/MT in the previous year to the current year’s RM551/MT.

For the financial year ended 30 June 2018, Sungei Bagan estate reported an FFB yield of 15.25 MT/ha, an increase from the previous year. Although Sungei Bagan estate delivered a lower yield than Malaysian Palm Oil Board’s (“MPOB”) Peninsular Malaysia’s average of 19.02 MT/ha over the corresponding period (July 2017 – June 2018), we have to view this in context of the geographical location of the estate. Relative to MPOB’s Kelantan average of 11.70 MT/ha, Sungei Bagan estate outperformed the State’s average by 30%.

### **Investments**

The bulk of the Company’s quoted shares investment continued to be held in the following publicly listed entities:

- Kuchai Development Berhad
- Sungei Bagan Rubber Company (Malaya) Berhad
- Singapore Press Holdings Limited

The Group’s position as long-term shareholders in publicly listed entities have served us well over the years and we hope that they would continue to do so. The Group also has holdings in investment funds and precious metals.

### **Financial Position**

The Group continued to maintain a healthy financial position as at 30 June 2018 with no bank borrowings and sufficient cash and cash equivalents to cover total liabilities.

As Kuchai Development Berhad and Sungei Bagan Rubber Company (Malaya) Berhad are consolidated, the Group’s non-controlling interests stood at RM543 million, or 44% of the Group’s total equity.

In the midst of a relatively low interest rate environment, Management is cognizant of the need to continually improve its treasury management, and is actively doing so.

Both the Board and Management are committed towards maintaining its philosophy of having a strong balance sheet and a healthy cash position to ensure the Company’s ability to fund our operations and capital requirements.



**MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (cont’d)**



*Kluang Estate (Office)*



*Kluang Estate (Office)*

MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (cont’d)



*Kluang Estate (Estate)*



*Kluang Estate (Sports Day 2017)*

## STATEMENT OF CORPORATE GOVERNANCE

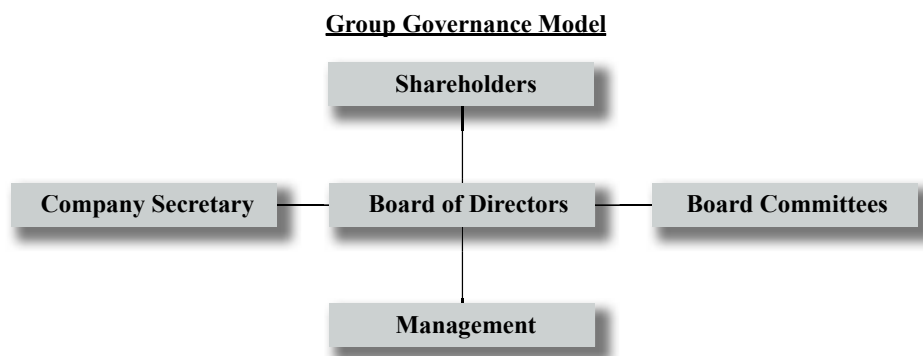
### THE CODE OF CORPORATE GOVERNANCE

The Board of Directors of Kluang Rubber Company (Malaya) Berhad (“the Company”) recognizes the importance of good corporate governance in building a sustainable business and is committed to ensure that high standards of corporate governance are practiced throughout the Company and its subsidiaries (“Group”).

The Malaysian Code on Corporate Governance (“MCCG”) sets out the principles of Corporate Governance which essentially relate to the Boards’ practices and procedures involving composition of the Board, appointments, Directors’ remuneration, accountability, shareholders, employees, etc.

This Statement is produced by the Board pursuant to paragraph 15.25 of the Bursa Malaysia’s Main Market Listing Requirements in applying the Principles and the Recommendations of the Code on Corporate Governance. The Board further acknowledges the Principles and the Recommendations of the Code and except where specifically identified, the Board has generally complied with the relevant Principles and Recommendations set out in the Code. To the extent practicable, the Company will address the recommendations from MCCG 2017.

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS



#### I. BOARD RESPONSIBILITIES

##### Practice 1.1 – The Board’s Role

The Board’s role is to govern. In governing, the Directors must act honestly, fairly, diligently and in accordance with the law in the best interest of the Group. It is the responsibility of the Board to oversee the activities of Management.

Being responsible for setting the overall strategy of the Group and making decisions on major operational and financial matters, the Board reserves for its decision or approval matters involving:

- Annual and quarterly reports
- Annual estimates
- Composition and terms of reference of Board committees
- Capital allocation decisions
- Major transactions
- New business segments
- Recommendations on Directors’ appointment and re-appointment
- Remuneration of Executive Directors, Non-executive Directors and Senior Management
- Dividend

## **STATEMENT OF CORPORATE GOVERNANCE (cont'd)**

The Non-executive and Independent Directors, serve the important functions of providing unbiased and independent views, advising Management on strategies, ensuring high standards of financial and regulatory oversight, and providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole. The Independent Non-Executive Directors are also actively involved in the various Board Committees.

Progress against actionable items highlighted on the agenda of the previous Board meetings are closely monitored and discussed at subsequent meetings.

For the financial year ended 30 June 2018, the Board carried out the following activities:

- Took cognisance of the Company's business activities throughout the year
- Reviewed and approved Company's quarterly results for the financial year, and the audited financial statements for the financial year
- Reviewed and approved remuneration for the members of the Board
- Reviewed and approved the statements for insertion in the Annual Report for the financial year
- Declared final dividend entitlement subject to the approval of shareholders for the financial year

### **Practice 1.2 - The Chairman's Role**

The Chairman is responsible for overseeing the proper functioning of the Board with good corporate governance practices and procedures. The Chairman encourages constructive relations between Board members and ensures that open, healthy and effective debates are held by allowing sufficient time to be given on the deliberation of issues.

The Nominating Committee is also satisfied that the Chairman has discharged his duties effectively and has continued to play a vital role in leading the Board.

### **Practice 1.3 – The Chairman and CEO Should Be Separate Persons**

To enhance independence, accountability and responsibility, the position of Chairman is held by an Independent Non-Executive Director.

### **Practice 1.4 – Supported by a Suitably Qualified And Competent Company Secretary**

The Board is supported by an independent qualified Company Secretary in an advisory role to the Board, on both administrative as well as governance matters. Both our Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

The Board has direct access to the advice and services of the Company Secretary. The Company Secretary organises and attends all Board and Board Committee Meetings and together with the Board, the Company Secretary ensures compliance with the Companies Act 2016 and all laws and regulations applicable to the Company. Deliberations and decisions made during the Board meetings are properly minuted, documented and promptly circulated in a timely manner by the Company Secretary. The Company's statutory records are maintained accordingly at the Company's registered office.

### **Practice 1.5 – Receiving Meeting Materials In A Reasonable Time**

All Directors will receive the notice of agenda and Board papers at least five (5) business days prior to the date of the meeting to give the Directors sufficient time to prepare or deal with matters arising from such meetings. Minutes of the Board Meetings are circulated to all Directors for their perusal prior to the confirmation of the minutes at the following Meeting.

Quarterly Board Meetings are scheduled in advance at the beginning of each financial year to enable Directors to plan ahead their attendance. For any ad-hoc and additional meetings, these will be scheduled with at least two (2) weeks prior notice whenever possible.

## STATEMENT OF CORPORATE GOVERNANCE (cont'd)

All Directors have unrestricted access to all information and the advice of the Company Secretaries and external auditors whether as the Board or in their individual capacity, in the furtherance of their duties. Directors may interact directly with, or request further explanation, information or updates on any aspect of the Group's operations of business concerns from Management. They may obtain independent professional advice at their discretion to assist them in forming their opinions and findings for Board decisions.

### **Practice 2.1 – Board Charter And The Roles And Responsibilities Between Board, Board Committees And Management**

#### Board Charter

The Board Charter clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for their meetings. The Board Charter also sets out the role, functions, composition, operation and processes of the Board as to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as a Board member.

The Board Charter also acts as a source of reference and primary induction literature to provide insights to prospective Board members and Senior Management. It is also to assist the Board in the assessment of its own performance and of individual Directors.

The Board Charter is reviewed periodically in accordance with the needs of the Company and updated in accordance with the needs of the Company to ensure its effectiveness and consistency with the Board's objectives and corporate vision. The Board Charter was revised and approved by the Board on 28 May 2018.

A copy of the Board Charter is available on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

#### Board

The Board's responsibilities are setting the strategic direction of the Group, establishing goals for the Management and continuously improving its performance to protect and enhance shareholders' value in the Group. Hence, the Board is responsible for the overall standards of conduct, risk management, succession planning, strategic planning as well as the system of internal controls within the Group.

The Board plays an active role in developing the Group's strategy. The Board will then review and deliberate on the Management's and its own perspectives to deliver the best outcomes.

With the role of Chairman being held by an Independent Non-Executive Director, the Board believes that there is no immediate requirement for the appointment of a Senior Independent Director.

#### Board Committees

To effectively discharge its functions and responsibilities, the Board is assisted by four (4) Board committees - the Audit Committee, the Nominating Committee, the Remuneration Committee and the Risk Management Committee to support and assist in discharging its fiduciary duties and responsibilities.

The Committees play an important role in channelling decisive operational, financial and assurance related issues to the Board, reporting and make recommendations to the Board on matters delegated to them for deliberation. The Committees partly function as a filter to ensure that only salient matters are tabled at Board level. The ultimate responsibility for the final decisions made rests with the Board.

## **STATEMENT OF CORPORATE GOVERNANCE (cont'd)**

The respective functions and terms of reference of the Board committees as well as authority delegated to these Board committees have been defined by the Board, and are available from the Board Charter on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

### Delegation to Management

Management's role is to manage the Company in accordance with the direction and delegation by the Board. Day-to-day operational responsibilities are delegated by the Board to Management involving:

- Execution of business strategies and initiatives adopted by the Board
- Implementation of sound and effective internal controls
- Preparation of annual and quarterly financial statements for Board approval
- Review of relevant financial, operational and compliance controls and risk management functions, ensuring relevant statutory and regulatory compliance

The Board and Management fully appreciate their respective roles and responsibilities, and are supportive of the development of a healthy corporate governance culture.

Senior Management is requested to attend Board meetings to present and provide additional information on matters being discussed and to respond to any queries that the Directors may have.

### **Practice 3.1 – Establishment of A Code of Conduct And Ethics**

The Board is committed in maintaining a corporate culture with encompasses ethical conduct. These standards are formalised through the Company's Code of Conduct and Business Ethics.

The Code of Conduct and Business Ethics is reviewed periodically in accordance with the needs of the Company. The existing Code of Conduct and Business Ethics was updated in 2016.

A copy of the Code of Conduct and Business Ethics is available for reference on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

### **Practice 3.2 – Establish And Implement Policies and Procedures on Whistle blowing**

Whistle blowing is a specific means by which an employee or stakeholder can report or disclose through established channels, concerns about:

- Unethical behaviour;
- Illegal acts;
- Failure to comply with regulatory requirements; or
- Any possible serious violations of internal policies, procedures or external laws by the perpetrator;

which have taken place in the past, present or may take place in the future.

The Whistle Blowing Policy was approved by the Board on 28 May 2018.

A copy of the Whistle Blowing Policy is available on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

## STATEMENT OF CORPORATE GOVERNANCE (cont'd)

### II. BOARD COMPOSITION

#### Practice 4.1 – At Least Half The Board Comprises Independent Directors

The Board comprises six (6) members, of whom three (3) are Independent Non-Executive Directors, and three (3) are Executive Directors. The Board composition complies with the Listing Requirements of Bursa Malaysia that requires a minimum of 2 or 1/3 of the Board to be Independent Directors.

The presence of three (3) Independent Non-Executive Directors, which represent 50% of the Board, facilitates the unbiased exercise of independent evaluation in Board deliberations and decision making and fulfils a central role in corporate accountability and serves to provide a check and balance in the Board. In the event of any vacancy in the Board of Directors, resulting in a non-compliance, the vacancy will be filled within three (3) months.

A brief profile of each Director is presented on pages 43 to 48 of the Annual Report.

#### Practice 4.2 – Tenure Of Independent Directors Should Not Exceed A Cumulative Tenure Of Nine (9) Years

The MCGG 2017 recommends that the tenure of an Independent Director does not exceed a cumulative period of nine (9) years. Upon completion of the nine years, an Independent Director may serve as a non-Independent Director.

If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval. The MCGG 2017 recommends that if the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process.

The Board would seek annual shareholders' approval if the Director has served on the Board for a cumulative term of nine (9) years as the Board believes that the continued contribution by the Director provides benefit to the Board and the Group as a whole.

For the financial year ended 30 June 2018, the Nominating Committee carried out an assessment of the Independent Director Mr. Lee Soo Hoon, having served on the Board for more than nine (9) years. The Nominating Committee is of the view that Mr. Lee Soo Hoon continues to be independent as:

- He has met the criteria under the definition of Independent Director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- He has exercised care in performing his duties, and provided unbiased, independent and objective views and judgement on all matters concerning the Group;
- The length of his service does not in any way impair his objective and independent judgement nor his ability to act in the best interests of the Group. On the contrary, his years of service on the Board have ingrained him with a sound knowledge of the Group's business operations which enables him to contribute positively during deliberations at Audit Committee, Remuneration Committee, Nominating Committee, Risk Management Committee and Board meetings without compromising his independence and objective judgement.

In this respect, the Board, based on his exemplary leadership and dedication to his responsibilities, recommends that Mr. Lee Soo Hoon, continue to serve as an Independent Non-Executive Director.

The current Independent Directors are strong individuals demonstrating independence. The Board believes that independence Director's state of mind and integrity are not dependent on years of service. The experience of the Independent Directors in the Company is valuable for determining the strategic direction for the continued stability and growth.

The Board believes that it is in the best position to evaluate and determine whether any Independent Director can continue to provide independent and objective judgement during the board deliberations and act in the best interests of the Group. The Independent Non-Executive Directors who are also members of the Nominating Committee will be excused from the meeting during the discussion of their independent status.

The Nominating Committee will continue, on an annual basis to assess the independence of the Independent Non-Executive Directors.

## **STATEMENT OF CORPORATE GOVERNANCE (cont'd)**

### **Practice 4.4 – Appointment of Board And Senior Management**

The Nominating Committee adopts a non-discriminatory policy towards identifying, assessing and appointing suitably qualified Directors to its Board, and will regularly evaluate the composition and performance of the Board. This also ensures that the objectives are adopted in board recruitment, board performance evaluation and succession planning processes.

The Board is made up of experienced professionals from varied backgrounds with expertise in areas comprising of business, finance, management, law and the palm oil industry. The Board has a good balance of members such that no one individual or a small group of individuals can dominate the Board's decision-making process. With their diverse backgrounds and specializations, the Directors bring along a wide range of experience, expertise and perspective in discharging their responsibilities and duties in managing the business affairs and to enhance shareholders' value in the Group. The Board recognizes and embraces the benefits of having a diverse Board composition to enhance the quality of its performance.

The Company views increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives. Appointment of Board members are based on criteria, merit and diversity in skills, experience, age, cultural background and gender. In the financial year ended 30 June 2018, the Board adopted a Board Diversity Policy to formalise the approach towards Board diversity for effective governance.

A copy of the Board Diversity Policy approved and adopted by the Board in 2017 is available on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

### **Practice 4.5 – Gender Diversity**

The Board also recognizes the importance of fostering the development of women in decision-making positions in the corporate sector. Whilst the Board has not implemented any definitive policy on the proportion of female Directors, suitable female candidates are, and have been considered for Board participation.

For the year ended 30 June 2018, there were no female Directors on the Board.

### **Practice 4.6 – Identifying Candidates For Appointment Of Directors**

The Nominating Committee is responsible in identifying candidates to the Board to fill the vacancy arising from resignation, retirement or any other reasons and if there is a need to appoint additional Directors with the required skills.

In identifying the suitable candidates, the Board is not limited to recommendations from existing Board members, Management or major shareholders. The Board also considers utilizing independent sources to identify suitably qualified candidates, and will conduct all Board appointment procedure as recommended by MCCG 2017.

For the year ended 30 June 2018, there were no new Directors appointed to Board.

Once identified, the Nominating Committee is responsible for assessing and making recommendations on new appointments to the Board ensuring that all candidates are of sufficient calibre. Besides evaluating the candidate's skills and experience, the Nominating Committee also considers the following factors:

- a) The candidate's understanding of the Group and market;
- b) The candidate's professional expertise, experience and background; and
- c) Other factors including requirements for independence and the promotion of diversity of views



## **STATEMENT OF CORPORATE GOVERNANCE (cont'd)**

For the appointment of new Directors, the Nominating Committee will generally identify suitable candidates skilled in core competencies such as accounting, finance, business, management, industry expertise or knowledge. If the Nominating Committee decides that the candidate is suitable, the Nominating Committee will arrange to meet and conduct interviews prior to making a recommendation to the Board. These interviews conducted may be official as well as unofficial. Besides reviewing the candidate's curriculum vitae and other biographical information, the assessment process may at the Nominating Committee's discretion, include conducting legal and other background searches of the candidate.

Upon completion of the assessment and evaluation of the proposed candidate, the Nominating Committee will make its recommendation to the Board for assessment and endorsement. The final decision on any appointment rests with the Board.

In accordance with the Company's Constitution, the newly appointed Directors will retire at the subsequent Annual General Meeting following their appointment and are eligible for re-election by shareholders. The clauses of Constitution also provide that at least one third (1/3) of the Board including Executive Directors is subject to re-election annually and each Director shall stand for re-election at least once every three (3) years.

### **Practice 4.7 – The Nominating Committee Is Chaired By An Independent Director Or The Senior Independent Director**

The Chairman of the Nominating Committee is an Independent Non-Executive Director.

### **Practice 5.1 – Board to Undertake A Formal And Objective Annual Evaluation to Determine Effectiveness**

The Board, through the Nominating Committee annually reviews its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors bring to the Board. This process is to be carried out by the Nominating Committee annually, for assessing the effectiveness of the Board, the Committees of the Board, and for assessing the contribution of each individual member of the Board.

The Company Secretary shall distribute the evaluation form to the Board and Board Committees for completion on an annual basis. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions are properly documented.

For financial year ended 30 June 2018, the Nominating Committee reviewed and updated the annual performance evaluation for Directors to incorporate a new section for the assessment of the Risk Management Committee, which was established during the financial year in review. The overall Board and its Committees' performance and effectiveness was assessed, and the Chairman of the Nominating Committee presented the outcome of the annual performance evaluation for Directors during the Board of Directors meeting.

The assessment covered the following areas:

- Board composition
- Competencies and skills
- Character and attitude
- Attendance record
- Training activities
- Effectiveness of board committees
- Participation and contribution in Board meetings

The Nominating Committee is satisfied with the Boards composition that is well balanced with the required mix of skills, experience, knowledge and competencies, required for an effective Board.

As part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the Nominating Committee considers the balance of skills, experience, expertise and independence on the Board and the diversity representation of the Board.

## **STATEMENT OF CORPORATE GOVERNANCE (cont'd)**

For the financial year, the Nominating Committee:

- Reviewed the composition of the Board and Board Committees, nominating the directors who are due for retirement and re-appointment and are eligible to stand for re-election and re-appointment respectively;
- Reviewed the composition of the Board based on the required mix of skills, experience and other qualities of the Board;
- Reviewed the composition of the Board Committees based on their compliances with the provisions of the regulations;
- Assessed the independence of the Independent Non-Executive Directors;
- Reviewed and updated criteria of the annual performance evaluation for Directors;
- Assessed the overall Board and its Committees' performance and effectiveness;
- Presented the outcome of the annual performance evaluation for Directors during the Board of Directors meeting.

The Nominating Committee is satisfied that sufficient time and attention is being given by each of the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations.

The Board meets not less than four (4) times a year to review and approve the quarterly results for announcements. The Board meetings for the ensuing year are fixed in advance. Notice of meetings and the agenda are given in a timely manner.

All the Directors had attended at least 50% of all Board of Directors meetings held in the financial year ended 30 June 2018, complying with the minimum 50% attendance as required by Paragraph 15.05 of the Bursa Malaysia Securities Berhad's Listing Requirements. The quorum of Board meetings had been met with attendance of not less than three (3) out of six (6) Directors who participated in decision-making at each Board meeting. This is evidenced by the attendance record set out in the annual report.

The Audit Committee shall meet not less than four (4) times a year. The Nominating Committee, the Remuneration Committee and the Risk Management Committee shall meet at least once a year, and when necessary.

Board meetings are a fundamental component of governance processes as they provide the opportunity for Directors to:

- Obtain and exchange information with Senior Management;
- Obtain and exchange information with fellow Directors; and
- Deliberate and arrive at decisions.

Senior Management staff and/or external advisors may be invited to attend Board meetings to advise the Board and to furnish the Board with information and clarification needed on relevant items on the agenda to enable the Board to arrive at an informed decision.

To facilitate the Directors' planning, an annual meeting calendar is prepared and circulated in advance of each financial year. This provides the Directors with scheduled dates for meetings of the Board and the Annual General Meeting.

Any Director accepting new directorship in other companies will be required to make known to the Board prior to his/her new appointment and give commitment to the Board that his/her time for attending board meetings will not be compromised in any manner.

The Directors recognise the importance of continuous development to update themselves and to further enhance their skills, knowledge and better equip themselves to effectively discharge their fiduciary duties. All Directors have completed the Mandatory Accreditation Programme as required by Bursa Malaysia's listing requirements.

## STATEMENT OF CORPORATE GOVERNANCE (cont'd)

### Directors Training

All Directors are encouraged to undergo attend various external professional programmes relevant and useful in contributing to the effective discharge of their duties as Directors.

The Directors are expected to attend at least one (1) training session a year.

During the financial year ended 30 June 2018, the Directors have attended the following relevant training programmes:

<b>Date</b>	<b>Seminar/Workshop</b>	<b>Conducted by</b>	<b>Attended by</b>
3 August 2017	Driving Financial Integrity & Performance – Enhancing Financial Literacy	Bursa Malaysia	Tay Beng Chai
12 September 2017	The Sustainability Imperative	Singapore Institute of Directors	Lee Soo Hoon
17 November 2017	EY 2018 Budget and Tax Conference	Ernst & Young Tax Consultants Sdn Bhd	Lee Soo Hoon, Chew Khat Khiam Albert and Cheong Mun Hong
16 January 2018	ACRA-SGX-SID Rebooting Corporate Governance	Singapore Institute of Directors	Lee Soo Hoon
15 March 2018	Confirmation on Corporate Governance Briefing Sessions- MCCG Reporting & CG Guide	Bursa Malaysia	Tay Beng Chai
28 May 2018	Malaysian Financial Reporting Standards Training	Ernst & Young	All Directors

The Directors also received regular briefings from external auditors on updates in financial reporting and new accounting standards.

### III. REMUNERATION

#### **Practice 6.1 – Board Has Policies And Procedure To Determine The Remuneration Of Directors And Senior Management**

The Company's remuneration policy for Directors is tailored to provide a remuneration package needed to recruit, retain and motivate individuals of the necessary calibre and quality needed.

The Board will review for approval, recommendations from the Remuneration Committee on the remuneration packages of Executive Directors and Senior Management, and fees of Non-Executive Directors for Shareholders' approval at the AGM of the Company. Information prepared by independent consultants and survey data on the remuneration practices of comparable companies may be taken into consideration in determining these remunerations.

For Executive Directors and Managing Directors, the Remuneration Committee considers corporate and individual performance, as well as performance on a range of other factors including accomplishment of strategic goals. The Remuneration Committee ascertains and recommends the remuneration packages of Executive Directors to the Board for its approval.

Non-Executive Directors are paid fixed annual director fees as members of the Board and Board Committees. The Remuneration Committee recommends the Directors' fees payable to the Board and are deliberated at the Board before it is presented at the AGM for Shareholders' approval. The amount of remuneration for each of the Non-Executive Director varies with the level of responsibilities undertaken by the individual.

## STATEMENT OF CORPORATE GOVERNANCE (cont'd)

In addition to fixed annual director fees, all Non-Executive Directors are paid a meeting attendance allowance. In recognition of the additional time and commitment required, the Chairman of the respective Board Committees also receives an annual fixed fee for their chairmanship in the respective Board Committees. Individual Directors are not permitted to participate in discussion and decision of their own remuneration.

### Practice 6.2 – Remuneration Committee

The Remuneration Committee comprises three (3) Directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Tay Beng Chai, and members are Mr Lee Soo Hoon and Mr Chew Khat Khiam Albert.

The Terms of Reference for the Remuneration Committee is included in the Board Charter, which is available for reference on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

For the financial year, the Remuneration Committee:

- Reviewed and recommended the remuneration for the members of the Board

### Practice 7.1 – Detailed Disclosure On Named Basis For Remuneration Of Individual Directors

The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the band disclosure made.

Details of the remuneration of the Directors for the financial year are as follows:

- (i) Aggregate remuneration of Directors of the Company is categorised into appropriate components.

Director Remuneration (RM)	Salaries and Allowances	Fees	Total
Executive Directors	502,368	148,340	650,708
Non-Executive Directors	0	344,660	344,660
Total	502,368	493,000	995,368

The fees paid to all Directors were approved in advance by the shareholders at the Annual General Meeting.

- (ii) Aggregate remuneration of Directors on a Group basis, is categorised into appropriate components.

Director Remuneration (RM)	Salaries and Allowances	Fees	Total
Executive Directors	1,353,306	372,290	1,725,596
Non-Executive Directors	0	955,320	955,320
Total	1,353,306	1,327,610	2,680,916

- (iii) In accordance with the MCGG 2017, Directors of the Company whose total remuneration falls within bands of RM50,000 on a named basis is as follows:

Director Remuneration (RM)	Designation	Remuneration
Lee Chung-Shih Justin	Executive	250,001-300,000
Balaraman A/L Annamaly	Executive	200,001-250,000
Cheong Mun Hong	Executive	100,001-150,000
Lee Soo Hoon	Non-Executive	100,001-150,000
Tay Beng Chai	Non-Executive	100,001-150,000
Chew Khat Khiam Albert	Non-Executive	100,001-150,000

The remuneration breakdown of individual directors of the Company includes fees, and salaries and allowances.

## STATEMENT OF CORPORATE GOVERNANCE (cont'd)

(iv) In accordance with the MCCG 2017, Directors on a Group basis whose total remuneration falls within bands of RM50,000 on a named basis is as follows:

<b>Director Remuneration (RM)</b>	<b>Designation</b>	<b>Remuneration</b>
Lee Chung-Shih Justin	Executive	850,001-900,000
Balaraman A/L Annamaly	Executive	450,001-500,000
Cheong Mun Hong	Executive	350,001-400,000
Lee Soo Hoon	Non-Executive	300,000-350,000
Tay Beng Chai	Non-Executive	300,000-350,000
Chew Khat Khiam Albert	Non-Executive	250,001-300,000

Details of the Directors' remuneration are set out in Note 7 to the financial statements by applicable bands of RM50,000 which complies with the disclosure requirements under the Bursa Malaysia's Listing Requirements.

### I. AUDIT COMMITTEE

#### **Practice 8.1 – The Chairman Of The Audit Committee Is Not The Chairman Of The Board**

The Chairman of the Audit Committee is not the Chairman of the Board. The Chairman of the Board is Mr. Lee Soo Hoon.

#### **Practice 8.2 – Former Audit Partner Cooling-off Period**

It is stated under the Composition section of the Audit Committee's Terms of Reference that a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

The Terms of Reference for the Audit Committee are included in the Board Charter, which is available for reference on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

#### **Practice 8.3 – Policies And Procedures To Assess External Auditor**

Among its many stated functions, it is stated under the "Functions" section of the Audit Committee's Terms of Reference that the Audit Committee is to review the suitability, objectivity and independence of the external auditor annually.

An annual review of the external auditor's performance was carried out, which included the assessment of their independence in consideration of the nature and scope of non-audit fees, the Audit Committee was satisfied that they were unlikely to create any conflicts of interest nor impair the independence and objectivity of the external auditors. The Company also has a policy in place concerning the rotation of the partner in charge of the external audit.

The Audit Committee also obtains 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.

The Terms of Reference for the Audit Committee are included in the Board Charter, which is available for reference on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

#### **Practice 8.4 (Step Up) – The Audit Committee Should Comprise Solely Of Independent Directors**

The Audit Committee comprises wholly of Independent Non-Executive Directors.

The Audit Committee comprises three (3) Directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Chew Khat Khiam Albert, and members are Mr Lee Soo Hoon and Mr Tay Beng Chai.

## STATEMENT OF CORPORATE GOVERNANCE (cont'd)

### II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

#### **Practice 8.5 – Collectively the Audit Committee Should Possess A Wide Range Of Necessary Skills To Discharge Its Duties**

Details of the trainings attended by the Audit Committee Members are found under the Directors Training section of this Annual Report.

Details of the Audit Committee members' biography are set out under the Profile of Directors section of this Annual Report.

Further details of Audit Committee is presented under the Audit Committee's Report on pages 39 to 42.

#### **Practice 9.1 and 9.2 – Features of Effective Risk Management And Internal Control Framework**

The Board acknowledges its responsibility in maintaining a sound system of internal controls and risk management practices to safeguard shareholders' investment and the Group's assets, and for reviewing the adequacy and integrity of the system. However, the Board recognizes that reviewing of the Group's system of internal controls is a concerted and on-going process whereby such system is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives.

In pursuing these objectives, the system of internal controls can only provide reasonable and not absolute assurance against any material misstatement or loss.

The Board regards risk management as an integral part of the business operations, and the Directors acknowledge their responsibility to maintain a sound system of internal controls to safeguard the shareholders' investment and the Group's assets. The Board also recognises its overall responsibility for continuous reviewing and maintenance of the system of internal controls of the Group with the assistance of the outsourced internal auditors.

The external auditors are appointed by the Board to review the Statement on Risk Management and Internal Control and to report thereon.

The Statement on Risk Management and Internal Control in this Annual Report herein details the state of internal controls within the Company.

#### **Practice 9.3 (Step Up) – Establishment Of A Risk Management Committee**

The Risk Management Committee was established in 2018.

The Risk Management Committee comprises three (3) Directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Lee Soo Hoon, and members are Mr Tay Beng Chai and Mr Chew Khat Khiam Albert.

The Terms of Reference for the Risk Management Committee is included in the Board Charter, which is available for reference on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

For the financial year, the Risk Management Committee:

- Held its inaugural meeting in 2018
- Initiated an analysis for a comprehensive risk management profile

## **STATEMENT OF CORPORATE GOVERNANCE (cont'd)**

### **Practice 10.1 and 10.2 – Effective Internal Audit Function**

The Committee is aware that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

The main role of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

An independent professional firm – Ecovis AHL Advisory Sdn Bhd was engaged to handle this function and reports directly to the Audit Committee. This independent professional firm provides an independent assessment of the adequacy, efficiency and effectiveness of the Company's internal control system. The internal auditor's audit plan, nature and scope of the internal audit were approved by the Audit Committee prior to the commencement of their audit based on the Company's requirements aimed at optimising the effectiveness and efficiency of the Company's internal control.

None of the Internal Audit members have any family relationship with any Director and/or major shareholder of the listed issuer and any conflict of interest with the listed issuer, which could impair their objectivity and independence.

Further details can be found under the Statement of Risk Management and Internal Control, and Audit Committee Report.

## **PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

### **I. COMMUNICATION WITH STAKEHOLDERS**

#### **Practice 11.1 – Effective, Transparent And Regular Communication With Its Stakeholders**

The Directors are required to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and the provisions of the Act. The Board of Directors is responsible for taking reasonable steps to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of their results and cash flows for the financial year under review.

In preparing the financial statements for the year ended 30 June 2018, the Board of Directors has adopted and applied appropriate accounting policies on a consistent basis, made judgements and estimates where applicable that are reasonable and prudent and ensured that applicable accounting standards have been followed.

The Directors have ensured that the Company keeps proper accounting and other records that will disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements comply with the Act and the applicable approved accounting standards.

The Board recognizes the importance of accurate and timely dissemination of information to shareholders on all material business affecting the Group. The Company makes quarterly announcements of the financial results of the Company and the Group within the time frame prescribed in the Listing Requirements of Bursa Malaysia, accompanied by a balanced and comprehensive assessment of the performance and position of the Company and the Group.

The Company's Annual Report, containing the Financial Statements of the Company and the Group for the financial year, also contains other pertinent information and disclosures to enable shareholders and investors to have a better understanding of the Group's business and performance.

In presenting the annual financial statements and quarterly financial results announcements to shareholders, the Board aims to present a balanced and fair assessment of the Group's financial position and prospects and ensures that the financial results are released to Bursa Malaysia well within the stipulated time frame and the financial statements comply with regulatory reporting requirements. These quarterly financial results and the annual report are accessible via Bursa Malaysia and the Company's website. In this regard, the Board is assisted by the Audit Committee.

## STATEMENT OF CORPORATE GOVERNANCE (cont'd)

### II. COMMUNICATION WITH STAKEHOLDERS

The Audit Committee assists the Board in its responsibility to oversee and scrutinise the financial reporting and the effectiveness of the internal control of the Group. The Audit Committee comprises three (3) Directors, all of whom are Independent Non-Executive Directors. The term of references and activities of the Audit Committee are detailed in the Audit Committee Report on pages 39 to 42 of this Annual Report.

The Company maintains a website: *www.kluangrubber.com*, which provides shareholders and the public in general access to information about the Company which includes, corporate information, financial information, announcements and investor relations.

To address any concern which the shareholder may have, Shareholders may contact the Company through electronic mail at: *enquiry@kluangrubber.com*.

Any queries or concern may also be conveyed through the Company Secretaries who would then refer the matter to the attention of the Board. Shareholders may also directly approach the Independent Non-Executive Directors of the Company on these issues.

#### Practice 12.1 – Conduct Of General Meetings

The Annual General Meeting is the principal forum of dialogue with shareholders. Shareholders are notified of the meeting at least 28 days before the date of the Annual General Meeting.

#### Practice 12.2 – Directors Attendance At General Meetings

Shareholders are encouraged to attend and participate in the Annual General Meeting. Besides the normal agenda for the Annual General Meeting, shareholders are given the opportunities to seek clarification on any matters pertaining to the Group's affairs and performance as the Directors and the representatives of the external auditors are present to answer any questions that they may have.

At the 58th Annual General Meeting, Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Group. The 58th Annual General Meeting included the presentation of the Group's operating and financial performance for the year ended 30 June 2017, the external auditors' unqualified report to the shareholders and a Questions & Answers session during which the Chairman invited shareholders to raise questions pertaining to the Group's accounts and other items for adoption at the meeting, before putting a resolution to vote. The Directors, Management and external auditors were in attendance to respond to the shareholders' queries.

#### Practice 12.3 – Leveraging On Technology

The Company's Annual General Meetings are held at easily accessible venues and not in remote locations.

Shareholders that are unable to attend, may appoint their proxies to attend and vote on their behalf.

### ADDITIONAL COMPLIANCE INFORMATION

#### Disclosure of recurrent related party transactions (RRPT)

The details of the shareholders' mandate are reflected in the Circular to Shareholders dated 30 October 2018.

#### Utilisation of Proceeds

No issuance of new shares and rights issue carried out during the financial year ended 30 June 2018.



## STATEMENT OF CORPORATE GOVERNANCE (cont'd)

### Share Buy-Backs

No share buy-back by the Company during the financial year ended 30 June 2018.

### Exercise of Options, Warrants or Convertible Securities

No other options, warrants or convertible securities exercised during the financial year ended 30 June 2018.

### Depository Receipt Programme

No Depository Receipt Programmes for the financial year ended 30 June 2018.

### Sanctions and/or Penalties

The Company and its subsidiaries' Directors and management have not been imposed with any sanctions and/or penalties during the financial year ended 30 June 2018.

### Audit and Non-Audit Fees

The amount of audit and non-audit fees for services provided by the external auditors to the Group and Company and its subsidiaries for the financial year ended 30 June 2018 are as follows:

Audit and Non-Audit Fees	Group (RM)	Company (RM)
Audit Fees	147,500	51,500
Non-Audit Fees	251,722	139,300

### Variation in Results

No material variance between the results for the financial year ended 30 June 2018 and the unaudited results previously announced by the Company.

### Profit Guarantee, Profit Estimate, Forecast or Projection

No Profit Guarantee, Profit Estimate, Forecast or Projection was given by the Company for the financial year ended 30 June 2018.

### Material Contracts

None of the Directors and major shareholders has any material contract with the Company and/or its subsidiary either still subsisting at the end of the financial year ended 30 June 2018 or entered into since the end of that financial year.

### Contract Relating to Loan

No contracts relating to loan by the Company and its subsidiaries during the financial year ended 30 June 2018.

## ATTENDANCE AND ACTIVITIES

### Board Of Directors Meetings

Board meetings are scheduled for every quarter with at least four (4) scheduled meetings annually. Additional meetings to be convened as and when required. For financial year ended 30 June 2018, the Board met a total of five (5) times.

The attendance record of each Director since the last financial year is as follows:

Board Members	Designation	Meetings Attended
Lee Soo Hoon	Chairman	5/5
Lee Chung-Shih Justin	Deputy Chairman	5/5
Tay Beng Chai	Member	5/5
Chew Khat Khiam Albert	Member	5/5
Balaraman A/L Annamaly	Member	4/5
Cheong Mun Hong	Member	5/5

As required by Paragraph 15.05 of the Bursa Malaysia Securities Berhad's Listing Requirements, all Directors have complied with the minimum 50% attendance for the financial year ended 30 June 2018.

## STATEMENT OF CORPORATE GOVERNANCE (cont'd)

### Audit Committee Meetings

Audit Committee	Designation	Meetings Attended
Chew Khat Khiam Albert	Chairman	5/5
Lee Soo Hoon	Member	5/5
Tay Beng Chai	Member	5/5

The Audit Committee comprises three (3) Directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Chew Khat Khiam Albert, and members are Mr Lee Soo Hoon and Mr Tay Beng Chai.

The Terms of Reference for the Audit Committee are included in the Board Charter, which is available on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

### Nominating Committee Meeting

Nominating Committee	Designation	Meetings Attended
Chew Khat Khiam Albert	Chairman	1/1
Lee Soo Hoon	Member	1/1
Tay Beng Chai	Member	1/1

The Nominating Committee comprises three (3) Directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Chew Khat Khiam Albert, and members are Mr Lee Soo Hoon and Mr Tay Beng Chai.

The Terms of Reference for the Nominating Committee are included in the Board Charter, which is available on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

### Remuneration Committee Meeting

Remuneration Committee	Designation	Meetings Attended
Tay Beng Chai	Chairman	3/3
Lee Soo Hoon	Member	3/3
Chew Khat Khiam Albert	Member	3/3

The Remuneration Committee comprises three (3) Directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Tay Beng Chai, and members are Mr Lee Soo Hoon and Mr Chew Khat Khiam Albert.

The Terms of Reference for the Remuneration Committee is included in the Board Charter, which is available on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

### Risk Management Committee Meeting

Risk Management Committee	Designation	Meetings Attended
Lee Soo Hoon	Chairman	1/1
Tay Beng Chai	Member	1/1
Chew Khat Khiam Albert	Member	1/1

The Risk Management Committee comprises three (3) Directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Lee Soo Hoon, and members are Mr Tay Beng Chai and Mr Chew Khat Khiam Albert.

The Terms of Reference for the Risk Management Committee is included in the Board Charter, which is available on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

## **STATEMENT OF CORPORATE GOVERNANCE (cont'd)**

### **CORPORATE SOCIAL RESPONSIBILITY (“CSR”) & SUSTAINABILITY STATEMENT**

The Group is committed to Corporate Social Responsibility (“CSR”) and sustainability by integrating it into the way the business is run with a commitment to enhance shareholder value and at the same time, contribute positively to our employees, stakeholders and to the community. The Group recognizes its obligations as a responsible corporate citizen and endeavours to incorporate sustainable practices and activities to its corporate culture by focusing on the environment, health and safety and well-being of the community that it serves to the best of its efforts.

At the workplace, we continue to focus on safety and health of our employees and workers by conducting regular briefings on safety and health. The Employment Act is strictly implemented to ensure that our employees’ welfare is well taken care of.

The Group places significant importance in providing our employees and their families in our estates with quality facilities and amenities to live and work comfortably. Over the years, the management has been upgrading the estate’s infrastructure, inclusive of the living quarters for our staff and workers. The Company is also sensitive to the needs of employees, and provides places of worship and recreational facilities around the estate.

The Company values the importance of education, and encourages continual learning among our employees. For the financial year ended 30 June 2018, the Company contributed towards the University fee for an employee’s child.

Key improvements for financial year ended 30 June 2018 include the:

- Renovation of Manager’s bungalow
- Renovation of Assistant’s bungalow
- Establishment of car park bay at office site
- Construction of tractor bay

Social activities are organised to promote a sense of belonging and harmony among our employees, and can provide us with a platform for sustainable growth. To promote cohesion, recreation activities are organized by, and at the cost of the company. One of which was the “Malaysia Day 2017” sports event organised for our employees which was held on 16 September 2017.

In the financial year ended 30 June 2018, the Company contributed towards to the following causes:

- Cross-country event for school students

The Group is aware of the importance of conserving and preserving our natural environment and embraces good agronomic practices. In the management of the plantation, due care has been taken to safeguard the environment. All chemicals used were permitted by the Government, with the dosage applied within Government recommendations. In addition, disposal of chemical containers and cleaning of chemical spraying equipment are done in an environmentally and socially responsible manner. Herbicides are not sprayed within 20 metres on either side of the stream. Precautions have also been taken to avoid dissoluble fertilizers from flowing into the stream. The presence of fish and wild animals in the plantation is evidence of excellent environmental management.

The Group does not burn any disposals and this included felled palms, in line with best practices. We follow the practice of using materials such as felled trees and other biodegradable materials as a form of organic fertiliser enabling the nutrients to be recycled. To maintain soil fertility and reduce erosion, the management encourages the use of cover crops and empty fruit bunch mulching.

Illegal or inappropriate hunting, fishing or collecting activities are strictly forbidden on the plantation to avoid damage and deterioration of natural habitats. Road building and repairs, replanting, construction of terraces and drains, special attention is always paid to avoid soil erosion in affected areas. River water course is de-silted to reduce flooding during the monsoon season.

## **STATEMENT OF CORPORATE GOVERNANCE (cont'd)**

The MSPO Certification Scheme is a National Palm Oil Certification scheme in Malaysia and is operated by the Malaysia Palm Oil Certification Council (MPOCC) as the scheme owner. It is an independent body formed with the objective as below:

- To establish and operate a sustainable Palm Oil Certification scheme
- To engage with non-governmental organisations, institutes of higher learning, trade associations and accreditation and certification bodies
- To establish a mechanism for the certification of entities complying with the requirements of auditable sustainability standards.

Malaysian Sustainable Palm Oil (MSPO) was first implemented in 2015 based on the MSPO Standards which stipulates general principles for the production of sustainable palm oil that covers People (Alleviation of Poverty and Protect from Exploitation), Planet (Protect the Environment and Reduce Negative Human Impacts), and Profit (Ensure Continuity of The Business).

Under MSPO, a total of seven (7) Principles cover key issues faced by the Palm Oil Industry such as environment, biodiversity, best practice and social responsibilities:

1. Management commitment and responsibility
2. Transparency
3. Compliance to legal requirements
4. Social responsibility, health, safety and employment conditions
5. Environment, natural resources, biodiversity and ecosystem
6. Best practice
7. Development of new planting

For Plantation companies without RSPO certificate, the mandatory date of implementation is by 30 June 2019; RSPO compliant plantations by 31 December 2018 and smallholders by 31 December 2019.

The Management is proactively implementing the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme, and is on track to achieve certification prior to 30 June 2019.

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**

### **Introduction**

The Board of Directors is pleased to present the Statement on Risk Management and Internal Control pursuant to Paragraph 15.26 (b) of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements, which outlines Kluang Rubber Company (Malaya) Berhad's key elements of internal control system for the financial year ended 30 June 2018.

### **Board Responsibility**

The Board acknowledges its responsibility in maintaining a sound system of internal controls and risk management practices to safeguard shareholders' investment and the Group's assets, and for reviewing the adequacy and integrity of the system. However, the Board recognizes that reviewing of the Group's system of internal controls is a concerted and on-going process whereby such system is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives.

In pursuing these objectives, the system of internal controls can only provide reasonable and not absolute assurance against any material misstatement or loss.

### **Risk Management Framework**

The Board regards risk management as an integral part of the business operations. The Board confirms that there is a continuous process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of the Group's business objectives on an informal basis via its Board and Audit Committee meetings with the assistance of the outsourced Internal Auditors.

In 2018, the Risk Management Committee was established, comprising exclusively of Independent Directors, committed to oversee the company's risk management framework and policies. The Risk Management Committee met once (1) during the financial year ended 30 June 2018.

In 2016, the Board engaged an external professional firm to conduct a Risk Re-assessment workshop. Together with the Board, this external professional firm reviewed the Group's risk profile from the perspective of both the impact and likelihood of key risks applicable to the Group. With a more holistic view, the Board has been building upon the knowledge in formulating responses to mitigate these risks.

The principal risks and uncertainties (not intended to be exhaustive) included the following:

- Fluctuations in foreign exchange
- Compulsory land acquisitions
- Fluctuations in the market valuation of investments
- Extreme weather conditions
- Fluctuating commodity prices
- Increasing labour costs
- Insufficient and inexperienced labour force
- Increasing regulatory compliance requirements
- Succession planning

A review on the adequacy and effectiveness of risk management and internal control system is undertaken on a continuous basis. For financial year ended 30 June 2018, the Board is satisfied that the risk management and internal control system in place is adequate and effective.

No major internal controls weaknesses were identified during the financial year under review that requires disclosure in the Company's Annual Report.

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

### **Internal Audit**

Considering the nature and size of the Group's assets and operations, the internal audit function of the Group is supported by an independent professional firm, which provides assurance to the Audit Committee on the adequacy and integrity of internal control system in the discharge of the Audit Committee's duties and responsibilities. This external service provider reports directly to the Audit Committee.

The internal audit reviews the internal audit control systems within the Group on the basis of a rolling internal audit strategy with an annual internal audit plan presented to the Audit Committee for approval.

A summary of the main activities undertaken by the Internal Auditors during the financial year are as follows:

- Prepared and developed the annual risk based internal audit for the Audit Committee's approval
- Conducted the internal audit project in accordance with the approved internal audit plan, including follow-up of matters from previous internal audits. This internal audit project covered the plantation operations with particular focus on the following:
  - Review on procurement and payments
  - Review on checkroll procedures
  - Review on stock and cash count
- Issued internal audit report to the Audit Committee, with copies extended to Management, identifying weaknesses and issues, and also highlighting opportunities for improvement

Internal audit fees of RM12,000 were paid to the outsourced internal auditors for the financial year ended 30 June 2018.

The Audit Committee with the assistance of the outsourced Internal Auditors annually reviews the Group's system of internal controls to address the related internal control weaknesses. The outsourced Internal Auditors independently reviews the risk identification procedures and control processes implemented by the management. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported to the Audit Committee. To the extent practicable, Management will act towards resolving the issues raised by the Internal Auditors.

### **Whistle Blowing Policy**

Whistle blowing is a specific means by which an employee or stakeholder can report or disclose through established channels, concerns about:

- Unethical behaviour;
- Illegal acts;
- Failure to comply with regulatory requirements; or
- Any possible serious violations of internal policies, procedures or external laws by the perpetrators.

This includes events which are taking place, has taken place or may take place in the future.

The Whistle Blowing Policy was approved by the Board on 28 May 2018.

A copy of the Whistle Blowing Policy is available for reference on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

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

### **Other Key Elements of Internal Control**

Other key elements of the Group's system of internal control are as follows:

- The Group has an appropriate organizational structure, which enables adequate monitoring of the activities and ensures effective flow of information across the Group.
- Responsibilities are clearly defined and delegated to the committees of the Board.
- Key processes of the Group are governed by policies and procedures.
- Various support functions comprising administration, corporate affairs, finance, and treasury are centralized to ensure uniform policies and procedures are implemented throughout the Group.
- The estate prepares estimates for the coming year which are reviewed by the Board.
- Information covering the financial performance against the estimate of the estate is provided to the Board on quarterly basis together with key operational performance indicators.
- Quarterly and annual financial statements are reviewed by the Audit Committee who then recommends to the Board for approval prior to submission to Bursa Malaysia.

### **Board's Conclusion**

Overall, based on the Board's assessment of risk management and internal control system of the Group, the Board is satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives is in place to provide reasonable assurance. The Board and the Audit Committee have undertaken an assessment of the adequacy and effectiveness of the Group's internal control system. The Group will strive to ensure that the system of internal controls will be continuously enhanced and will seek regular assurance on the effectiveness and soundness of the internal control systems through appraisals by the internal and external auditors.

The Group's level of risk tolerance and risk management policies are determined by the Board. The Board and Management are responsible for overseeing the Group's risk management framework and policies, including reviewing the Group's business and operational activities to identify areas of significant risk. The Board also looks into the system of internal controls and measures taken to mitigate such risks.

In consideration of the Internal Auditors' report, the Board is pleased to report that there were no significant internal control deficiencies for areas that have been reviewed.

Taking into consideration the Group's assets and operations, and based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, the review of the Group's key risks performed by Management, the Audit Committee and the Board, the Board with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls are adequate as at 30 June 2018.

The Statement of Risk Management and Internal Control has been reviewed and approved by the Board.

The Board has received assurance from the Executive Director and the Senior Finance Manager that the Company's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group.

### **Review by the External Auditors**

In addition, in accordance with the paragraph 15.23 of the Listing Requirements of Bursa Malaysia, the external auditors have reviewed this Statement on Risk Management and Internal Control and reported that nothing has come to their attention that causes them to believe that the contents of this Statement is inconsistent with their understanding of the actual processes carried out in the Group.

## AUDIT COMMITTEE REPORT

### Functions

The functions of the audit committee shall be:

- a) To review the following and report the same to the Board of Directors:
  - i. with the external auditors, the audit plan, the scope of work and ascertain that it will meet the needs of the Board, the shareholders and the regulatory authorities;
  - ii. with the external auditors, their evaluation of the quality and effectiveness of the entire accounting system, the adequacy and the integrity of the internal control system and the efficiency of the Group's operations and efforts and processes taken to reduce the Group's operational risks;
  - iii. with the external auditors, their audit report;
  - iv. the assistance given by the Group's officers to the external auditors;
  - v. the suitability, objectivity and independence of the external auditor annually;
  - vi. the adequacy of the scope, function and resources of the internal audit functions and that it has the necessary authority to carry out its work including inter-alia the appointment of the internal auditors;
  - vii. the internal audit programme, processes, the results of the internal audit programme, process, process or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - viii. the quarterly results and the year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    - changes in or the implementation of major accounting policy changes;
    - significant and unusual events;
    - the accuracy and adequacy of the disclosure information essential to a fair and full presentation of the financial affairs of the Group; and
    - compliance with accounting standards and other legal requirements.
  - ix. any related party and inter-company transactions and conflict of interest situation that may arise within the Company including any transactions, procedure or course of conduct that raises questions of management integrity;
  - x. the propriety of accounting policies, principles and practices adopted by the management and accepted by the external auditors, where alternatives are also acceptable;
  - xi. any letter of resignation from the external auditors of the Company;
  - xii. whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
  - xiii. any significant audit findings, reservation, difficulties encountered or material weaknesses reported by the external and internal auditors.
- b) To recommend the nomination of a person or persons as external auditors and internal auditors; and their audit fee;
- c) To promptly report to Bursa Malaysia on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach in the Bursa Malaysia's Listing Requirements;
- d) To submit to the Board on a periodic basis a report on the summary of activities of the Committee in the discharge of its function and duties in respect of each financial quarter and the financial year;
- e) To carry out other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities; and
- f) To verify the criteria for allocation of options pursuant to a share scheme for employee.



## AUDIT COMMITTEE REPORT (cont'd)

### Composition And Attendance

Audit Committee	Designation	Meetings Attended
Chew Khat Khiam Albert	Chairman	5/5
Lee Soo Hoon	Member	5/5
Tay Beng Chai	Member	5/5

The Audit Committee comprised solely of Independent Non-Executive Directors. The Chairman of the Audit Committee is not the Chairman of the Board.

The Audit Committee comprises three (3) Directors, all of whom are Independent Non-Executive Directors. The Chairman is Mr Chew Khat Khiam Albert, and members are Mr Lee Soo Hoon and Mr Tay Beng Chai.

A meeting may be convened using telephone and/or the contemporaneous linking together by telephone or such other electronic communication media of a number of the Committee members being not less than the quorum shall be deemed to constitute a meeting of the Committee wherever in the world they are.

Further details are included in the Terms of Reference of the Audit Committee in the Board Charter, which is available for reference on the Company's website: [www.kluangrubber.com](http://www.kluangrubber.com).

It is stated in the Audit Committee's Terms of Reference that a former key audit partner to observe a cooling off period of at least two (2) years before being appointed as a member of the Audit Committee.

The Audit Committee held a total of five (5) meetings during the financial year ended 30 June 2018.

The Committee met with External Auditor twice (2) during the year without the presence of the Executive Directors.

The Chairman engages on a continuous basis with senior management of the Company on all matters affecting the Company.

The details of training attended by the Audit Committee who are also the Board members are set out on page 26 of the Annual Report.

## AUDIT COMMITTEE REPORT (cont'd)

### SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year ended 30 June 2018, the main activities carried out by the Committee were as follows:

1. Reviewed and discussed the unaudited quarterly financial reports prior to presentation to the Board of Directors for approval and subsequent announcements.
2. Reviewed the external auditors' scope of work and their audit plan and discussed results of their examination and recommendations.
3. Reviewed with the external auditors the audited financial statements for the financial year ended 30 June 2018 the results of the audit, audit report and recommendation prior to the approval of the Board and subsequent announcements.
4. Reviewed and discussed the new developments on accounting standards issued by the Malaysian Accounting Standards Board and its adoption and impact to the financial statements.
5. Reviewed the internal audit plan and programme for the financial year under review.
6. Reviewed the reports prepared by the outsourced internal auditors on the state of internal controls of the Company.
7. Reviewed the related party transactions and conflict of interest situations that arose for compliance with the Listing Requirements of Bursa Malaysia.
8. Reviewed the extent of compliance with the relevant provisions set out under the MCGG 2017 for the purpose of preparing the Corporate Governance Statement and Statement on Risk Management and Internal Control pursuant to the Listing Requirements of Bursa Malaysia.
9. Reviewed the information covering the financial performance against the estimate of the estate together with key operational performance indicators on quarterly basis.
10. Reviewed the proposed audit fees for the external auditors.
11. Considered the re-appointment of the external auditors and the outsourced internal auditors.

### External Auditors

The Board of Directors has established a formal and transparent arrangement with the external auditors of the Company through the Audit Committee. The external auditors and representatives of the management are present to answer questions and provide explanations to the Audit Committee.

The Audit Committee communicated directly and independently with the external auditors quarterly where necessary, and without the presence of the Management twice (2) a year.

The Company's independent external auditor, Messrs Ernst & Young, play an essential role by enhancing the reliability of the Company's financial statements and by giving assurance of that reliability to users of the financial statements.

External Auditor Fees during the financial year under review:

Audit and Non-Audit Fees	Group (RM)	Company (RM)
Audit Fees	147,500	51,500
Non-Audit Fees	251,722	139,300

Based on the above, the Audit Committee was satisfied with both the external auditors' competency and independence to further recommend to the Board the re-appointment for the coming financial year.

## **AUDIT COMMITTEE REPORT (cont'd)**

At present, there are no former key audit partners with a cooling-off period of less than two (2) years present on the Audit Committee.

The role of the Audit Committee in relation to the external auditors is stated on pages 39 to 42.

This Statement is made in compliance with Paragraphs 15.25 of the Bursa Malaysia Securities Berhad's Listing Requirements and approved by the Board on 16 October 2018.

### **Internal Audit Function**

The Committee is aware that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

The main role of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

An independent professional firm – Ecovis AHL Advisory Sdn Bhd was engaged to handle this function and reports directly to the Audit Committee. This independent professional firm provides an independent assessment of the adequacy, efficiency and effectiveness of the Company's internal control system. The internal auditor's audit plan, nature and scope of the internal audit were approved by the Audit Committee prior to the commencement of their audit based on the Company's requirements aimed at optimising the effectiveness and efficiency of the Company's internal control. The internal auditor's report has been received by the Committee, discussed and recommendations implemented, where necessary and appropriate, to tighten the Company's internal control procedures.

The internal audit fee for services provided by the outsourced internal auditors for the financial year ended 30 June 2018 amounted to RM12,000.

For the financial year ended 30 June 2018, supported by the structure of the Company's operations, the Audit Committee was of the view that it was adequate to focus the scope of the Internal Audit towards our plantation operations. Items highlighted by the independent professional firm were deliberated and rectified (when feasible) over the financial year.

The scope of the Internal Audit Report 2018 focused on the:

- Review on procurement and payments
- Review on checkroll procedures
- Review on stock and cash count

The Internal Audit Report 2018 was presented to the Audit Committee and actionable steps were taken to ensure that the issues highlighted were addressed to the extent practicable.

## PROFILE OF DIRECTORS

### LEE SOO HOON

Position	Independent Non-Executive Chairman
Gender	Male
Age	76
Nationality	Malaysian
Work Experience/Occupation	<ul style="list-style-type: none"> <li>a) Partner of Ernst &amp; Young, Singapore (1978 - 1997)</li> <li>b) Independent Director, Singapore Public Companies</li> <li>c) Provides management and financial consultancy services</li> </ul>
Qualification/Professional body	<ul style="list-style-type: none"> <li>a) F.C.A. Institute of Chartered Accountants in England and Wales</li> <li>b) Fellow of Singapore Institute of Chartered Accountants (ISCA)</li> <li>c) Member of Malaysian Institute of Certified Public Accountants</li> <li>d) Member of Malaysian Institute of Accountants</li> <li>e) Member of the Singapore Institute of Directors</li> </ul>
Date of Appointment	19 October 2001
Details of any board committee to which Director belongs	<ul style="list-style-type: none"> <li>a) Member of Audit Committee</li> <li>b) Member of Nominating Committee</li> <li>c) Member of Remuneration Committee</li> <li>d) Chairman of Risk Management Committee</li> </ul>
Directorship in other Bursa listed companies	<ul style="list-style-type: none"> <li>a) Kuchai Development Berhad</li> <li>b) Sungei Bagan Rubber Company (Malaya) Berhad</li> </ul>
Securities holding in the Company (as at 1 October 2018)	Nil
Relationship with other Directors and/or substantial shareholders	No family relationship with other Directors and/or substantial shareholders
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil

### PROFILE OF DIRECTORS (cont'd)

**LEE CHUNG-SHIH JUSTIN**

Position	Executive Deputy Chairman
Gender	Male
Age	56
Nationality	Singaporean
Work Experience/Occupation	a) Executive Director, Malaysia Public Companies b) Executive Director, Public Unlisted Real Estate Investment Company c) Director, Public Unlisted Licenced Trust Company
Qualification/Professional body	B. Sc., International Business
Date of Appointment	19 February 1990
Details of any board committee to which Director belongs	Nil
Directorship in other Bursa listed companies	a) Kuchai Development Berhad b) Sungei Bagan Rubber Company (Malaya) Berhad
Securities holding in the Company (as at 1 October 2018)	Direct interest of 31,984 shares and deemed interest of 31,681,518 shares in the Company equivalent to 0.05% and 50.15% respectively
Relationship with other Directors and/or substantial shareholders	Son of Lee Thor Seng and brother of Lee Yung-Shih Colin
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil

### PROFILE OF DIRECTORS (cont'd)

**TAY BENG CHAI**

Position	Independent Non-Executive Director
Gender	Male
Age	57
Nationality	Malaysian
Work Experience/Occupation	<ul style="list-style-type: none"> <li>a) In professional legal practice since 1986</li> <li>b) Managing Partner of Tay &amp; Partners, Malaysia</li> <li>c) Partner of Bird &amp; Bird ATMD LLP</li> <li>d) A lawyer of over 30 years with extensive corporate and commercial experience in Malaysia and Singapore.</li> </ul>
Qualification/Professional body	<ul style="list-style-type: none"> <li>a) LL.B (Hons) Second Upper, National University of Singapore in 1985</li> <li>b) Admitted as an Advocate &amp; Solicitor, High Court of Singapore in 1986</li> <li>c) Admitted as an Advocate &amp; Solicitor, High Court of Malaya in 1989</li> <li>d) Fellow of the Singapore Institute of Arbitrators</li> </ul>
Date of Appointment	4 December 2014
Details of any board committee to which Director belongs	<ul style="list-style-type: none"> <li>a) Member of Audit Committee</li> <li>b) Member of Nominating Committee</li> <li>c) Chairman of Remuneration Committee</li> <li>d) Member of Risk Management Committee</li> </ul>
Directorship in other Bursa listed companies	<ul style="list-style-type: none"> <li>a) Kuchai Development Berhad</li> <li>b) Malaysian Bulk Carriers Berhad</li> <li>c) Sungei Bagan Rubber Company (Malaya) Berhad</li> </ul>
Securities holding in the Company (as at 1 October 2018)	Nil
Relationship with other Directors and/or substantial shareholders	No family relationship with other Directors and/or substantial shareholders of the Company
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil

## PROFILE OF DIRECTORS (cont'd)

### CHEW KHAT KHIAM ALBERT

Position	Independent Non-Executive Director
Gender	Male
Age	61
Nationality	Australian
Work Experience/Occupation	a) Group CFO of Sinwa Limited (2010 – 2013) b) Group CFO of Boardroom Limited (2007 – 2010) c) Finance Director of Gennon Group (2001 – 2007)
Qualification/Professional body	a) Fellow of the Institute of Chartered Accountants in Australia b) Fellow of the Hong Kong Institute of Certified Public Accountants c) Fellow of the Financial Services Institutes of Australasia d) Chartered Accountant of The Singapore Institute of Chartered Accountants e) Member of the Australian Institute of Management f) Member of the Singapore Institute of Directors g) Bachelor of Commerce, University of N.S.W. (1980)
Date of Appointment	10 October 2016
Details of any board committee to which Director belongs	a) Chairman of Audit Committee b) Chairman of Nominating Committee c) Member of Remuneration Committee d) Member of Risk Management Committee
Directorship in other Bursa listed companies	a) Kuchai Development Berhad b) Sungei Bagan Rubber Company (Malaya) Berhad
Securities holding in the Company (as at 1 October 2018)	Nil
Relationship with other Directors and/or substantial shareholders	No family relationship with other Directors and/or substantial shareholders of the Company
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil

### PROFILE OF DIRECTORS (cont'd)

**CHEONG MUN HONG**

Position	Executive Director
Gender	Male
Age	32
Nationality	Singaporean
Work Experience/Occupation	a) Executive Director, Malaysia Public Companies b) Investment Analyst, Public Unlisted Licensed Trust Company
Qualification/Professional body	a) Bachelor of Engineering (BEng) Nanyang Technological University b) Holder of the right to use the CFA® designation c) Member of the Singapore Institute of Directors
Date of Appointment	1 March 2015
Details of any board committee to which Director belongs	Nil
Directorship in other Bursa listed companies	a) Kuchai Development Berhad b) Sungei Bagan Rubber Company (Malaya) Berhad
Securities holding in the Company (as at 1 October 2018)	Nil
Relationship with other Directors and/or substantial shareholders	No family relationship with other Directors and/or substantial shareholders of the Company
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil



### PROFILE OF DIRECTORS (cont'd)

**BALARAMAN A/L ANNAMALY**

Position	Executive Director
Gender	Male
Age	70
Nationality	Malaysian
Work Experience/Occupation	a) Executive Director, Malaysia Public Companies b) Former Consultant – Sg. Sustainable Oil Ghana Ltd., Accra, Ghana, West Africa
Qualification/Professional body	a) Member of Malaysian Institute of Management, Incorporated Society b) Secretary of Malaysian Palm Oil Association (Johor Branch) c) Committee Member of Malaysian Estate Owners Association
Date of Appointment	28 August 2014
Details of any board committee to which Director belongs	Nil
Directorship in other Bursa listed companies	Sungei Bagan Rubber Company (Malaya) Berhad
Securities holding in the Company (as at 1 October 2018)	Direct interest of 1,066 shares in the Company equivalent to 0.00%
Relationship with other Directors and/or substantial shareholders	No family relationship with other Directors and/or substantial shareholders of the Company
Conflict of interest with the Company	Nil
List of convictions for offences (other than traffic offences) within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies, if any	Nil

## 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 30 June 2018.

### PRINCIPAL ACTIVITIES

The principal activities of the Company consist of the production and sale of fresh oil palm fruit bunches. The Company is also a long term portfolio investor in securities.

The principal activities and other information on the subsidiaries are described in Note 13 to the financial statements.

### RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Profit net of tax	13,746,548	1,192,798
Attributable to:		
Owners of the parent	6,482,619	1,192,798
Non-controlling interest	7,263,929	-
	13,746,548	1,192,798

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

### DIVIDENDS

The amounts of dividends paid by the Company since 30 June 2017 were as follows:

	<b>Amount RM</b>	<b>Net dividend per share Sen</b>
In respect of the financial year ended 30 June 2017 as reported in the directors' report of that year:		
First and final tax exempt single-tier dividend on 63,171,977 ordinary shares, declared on 25 October 2017 and paid on 19 December 2017	631,720	1.00

At the forthcoming Annual General Meeting, the following dividend in respect of the current financial year ended 30 June 2018 on 63,171,977 ordinary shares, will be proposed for shareholders' approval.

	<b>Amount RM</b>	<b>Net dividend per share Sen</b>
First and final tax exempt single-tier dividend	631,720	1.00

The financial statements for the current financial year do not reflect this proposed dividend. The dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2019.

## DIRECTORS' REPORT (cont'd)

### 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 :

#### Directors of the Company:

Lee Soo Hoon\*\*  
Lee Chung-Shih Justin\*\*  
Balaraman A/L Annamaly  
Tay Beng Chai\*\*  
Cheong Mun Hong\*\*  
Chew Khat Khiam Albert\*\*

\*\* These directors are also directors of the Company's subsidiaries.

The name of the Corporate director of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) is:

Jackaroo Limited

### 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 as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) 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 26 to the financial statements.

### INDEMNIFYING DIRECTORS OR OFFICERS

During the financial year, the directors and officers of Kluang Rubber Company (Malaya) Berhad, are covered under the Directors' and Officers' Liability Insurance ("D&O Insurance") in respect of liabilities arising from acts committed in their respective capacity as, inter alia, the directors and officers of the Group subject to the terms of the D&O Insurance policy. The total amount of D&O Insurance effected and premium paid for the directors and officers of the Group was RM10,000,000 and RM23,680 respectively.

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	← Number of Ordinary Shares →			30 June 2018
	1 July 2017	Bought	Sold	
<b>The Company</b>				
Lee Chung-Shih Justin				
- Direct interest	31,984	-	-	31,984
- Indirect interest	31,681,518	-	-	31,681,518
Balaraman A/L Annamaly				
- Direct interest	1,066	-	-	1,066
<b>Subsidiaries</b>				
<u>Sungei Bagan Rubber Company (Malaya) Berhad</u>				
Lee Chung-Shih Justin				
- Direct interest	35,438	-	-	35,438
- Indirect interest	38,949,833	-	-	38,949,833
Balaraman A/L Annamaly				
- Direct interest	3,322	-	-	3,322

## DIRECTORS' REPORT (cont'd)

### DIRECTORS' INTERESTS (cont'd)

	← Number of Ordinary Shares →			30 June 2018
	1 July 2017	Bought	Sold	
<b>Subsidiaries (cont'd)</b>				
<u>Kuchai Development Berhad</u>				
Lee Chung-Shih Justin				
- Direct interest	237,482	-	-	237,482
- Indirect interest	64,150,641	-	-	64,150,641

Lee Chung-Shih Justin, by virtue of his interest in the Company, is deemed interested in the shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company during the financial year.

### OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; 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) it necessary to write off any debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; 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.

## **DIRECTORS' REPORT (cont'd)**

### **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 as and 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.

### **AUDITORS**

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

Auditors' remuneration are disclosed in Note 6 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 October 2018.

Lee Soo Hoon

Lee Chung-Shih Justin

**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Lee Soo Hoon and Lee Chung-Shih Justin, being two of the directors of Kluang Rubber Company (Malaya) Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 58 to 117 are drawn up in accordance with Financial Reporting Standards and 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 30 June 2018 and of their results and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 October 2018.

Lee Soo Hoon

Lee Chung-Shih Justin

**STATUTORY DECLARATION  
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016**

I, Corinna Foo Kim Joke, being the officer primarily responsible for the financial management of Kluang Rubber Company (Malaya) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 58 to 117 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, Corinna Foo Kim Joke )  
at Johor Bahru in the State of Johor on )  
16 October 2018. ) Corinna Foo Kim Joke

Before me,

No. J253  
Hj Zamani Bin Hj Ahmad  
Persuruhjaya Sumpah  
Johor Bahru

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KLUANG RUBBER COMPANY (MALAYA) BERHAD  
(Incorporated in Malaysia)**

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

*Opinion*

We have audited the financial statements of Kluang Rubber Company (Malaya) Berhad, which comprise the statements of financial position as at 30 June 2018 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 58 to 117.

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 30 June 2018, 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 Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

**1. Valuation of long term investments - equity instruments and precious metal**

(Refer to Notes 2.15(a)(ii), 2.16, 2.17(b) and 15 to the financial statements)

As at 30 June 2018, the carrying amount of the Group's investments in equity instruments (quoted and unquoted) and precious metal amounted to RM467,903,754 and RM20,302,475 respectively. These investments are classified as available-for-sale assets and are measured at fair value, with fair value changes recognised in other comprehensive income.

We focused on the valuation of these investments because they represent the most significant element of the total assets in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KLUANG RUBBER COMPANY (MALAYA) BERHAD (cont'd)  
(Incorporated in Malaysia)**

*Key audit matter (cont'd)*

**1. Valuation of long term investments - equity instruments and precious metal (cont'd)**  
(Refer to Notes 2.15(a)(ii), 2.16, 2.17(b) and 15 to the financial statements) (cont'd)

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

- i. For investments in quoted equity instruments and precious metal, we corroborated the fair values recorded by management by reference to externally available market data; and
- ii. For investments in unquoted shares:
  - We obtained an understanding of the methodology adopted by management in estimating the fair values of these equity instruments and assessed whether such methodology is consistent with those commonly used to value equity instruments; and
  - We evaluated the assumptions applied in estimating the fair value of these equity instruments by making comparisons against appropriate benchmarks.

**2. Biological assets**  
(Refer to Notes 2.8 and 11 to the financial statements)

During the current financial year, the Group capitalised new planting expenditure of RM6,087,138 as part of its 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 new planting expenditure was made in accordance with the Group's policy and whether any expenditure incurred ought to be expensed to the profit or loss account.

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

- i. Inspecting documents such as contracts with suppliers to support the expenditure incurred such as land clearing, seedling, labour and manuring costs;
- ii. Testing the allocation of expenditure for replanting and new planting estates; and
- iii. Testing whether the expenditure incurred on replanting 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 directors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KLUANG RUBBER COMPANY (MALAYA) BERHAD (cont'd)  
(Incorporated in Malaysia)**

*Responsibilities of the directors for the financial statements*

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

*Auditors' responsibilities for the Audit of the Consolidated Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KLUANG RUBBER COMPANY (MALAYA) BERHAD (cont'd)**  
(Incorporated in Malaysia)

*Auditors' responsibilities for the Audit of the Consolidated Financial Statements (cont'd)*

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

**Other 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

Tan Jin Xiang  
03348/01/2020 J  
Chartered Accountant

Johor Bahru, Malaysia  
Dated: 16 October 2018

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	4	29,104,925	25,293,253	7,890,569	7,532,981
Other income		154,817	217,480	840	13,258
Changes in inventories		(19,922)	(219,136)	(3,928)	(37,986)
Employee benefits expenses	5	(3,256,124)	(2,395,366)	(1,113,514)	(714,881)
Depreciation	10	(511,164)	(400,146)	(343,131)	(294,856)
Subcontract labour cost, fertilizer and chemical costs		(5,077,831)	(4,423,425)	(1,894,984)	(1,680,168)
Foreign exchange gain/(loss)		108,618	(4,153,357)	(725,103)	84,927
Fair value (loss)/gain on investment properties	12	(212,011)	2,128,891	-	-
Gain on sale of investment		-	6,128,070	-	-
Impairment loss on investments		(526,271)	(6,821,181)	-	-
Other expenses		(6,288,203)	(6,048,793)	(2,144,192)	(1,973,310)
<b>Profit from operations</b>	6	13,476,834	9,306,290	1,666,557	2,929,965
Share of profit/(loss) of associates	14	958,803	(3,555,586)	-	-
<b>Profit before taxation</b>		14,435,637	5,750,704	1,666,557	2,929,965
Income tax expense	8	(689,089)	(1,201,008)	(473,759)	(521,956)
<b>Profit for the year</b>		13,746,548	4,549,696	1,192,798	2,408,009
<b>Attributable to:</b>					
Equity holders of the parent		6,482,619	1,842,700	1,192,798	2,408,009
Non-controlling interest		7,263,929	2,706,996	-	-
		13,746,548	4,549,696	1,192,798	2,408,009
Earnings per share (sen)					
Basic	9(a)	10.3	2.9		
Diluted	9(b)	10.3	2.9		

**STATEMENTS OF COMPREHENSIVE INCOME (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Other comprehensive income:</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Investments:					
- Fair value gain/(loss)		49,832,592	56,941,670	(1,520,461)	(969,147)
- Reclassification to profit or loss		526,271	6,821,181	-	-
Foreign currency translation		(30,340,397)	30,131,883	-	-
Other adjustments		(163,686)	-	-	-
Share of other comprehensive (loss)/profit of associates	14	(2,428,482)	5,782,132	-	-
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<u>17,426,298</u>	<u>99,676,866</u>	<u>(1,520,461)</u>	<u>(969,147)</u>
<b>Total comprehensive income/(loss) for the year</b>		<u><u>31,172,846</u></u>	<u><u>104,226,562</u></u>	<u><u>(327,663)</u></u>	<u><u>1,438,862</u></u>
<b>Attributable to:</b>					
Equity holders of the parent		12,119,827	47,086,251	(327,663)	1,438,862
Non-controlling interest		19,053,019	57,140,311	-	-
		<u><u>31,172,846</u></u>	<u><u>104,226,562</u></u>	<u><u>(327,663)</u></u>	<u><u>1,438,862</u></u>

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

**STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	300,898,770	300,024,822	196,650,258	196,705,908
Biological assets	11	26,986,118	20,898,980	336,079	336,079
Investment properties	12	65,009,836	68,594,291	-	-
Investment in subsidiaries	13	-	-	35,612,632	35,612,632
Investment in associates	14	102,914,850	105,605,686	-	-
Investments	15	488,206,229	452,954,833	6,755,160	8,275,620
Deferred tax assets	20	298,000	260,000	-	-
		<u>984,313,803</u>	<u>948,338,612</u>	<u>239,354,129</u>	<u>240,930,239</u>
<b>Current assets</b>					
Inventories	16	27,390	47,312	1,739	5,667
Trade and other receivables	17	2,008,515	1,379,878	783,630	713,790
Tax recoverable		130,414	652,268	29,000	178,000
Prepayments		705,917	657,789	100,623	85,295
Cash and short-term deposits	18	265,423,000	270,454,680	27,257,525	26,252,843
		<u>268,295,236</u>	<u>273,191,927</u>	<u>28,172,517</u>	<u>27,235,595</u>
<b>Total assets</b>		<u><u>1,252,609,039</u></u>	<u><u>1,221,530,539</u></u>	<u><u>267,526,646</u></u>	<u><u>268,165,834</u></u>

**STATEMENTS OF FINANCIAL POSITION (cont'd)**  
**AS AT 30 JUNE 2018**

	Note	Group 2018 RM	2017 RM	Company 2018 RM	2017 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	19	5,007,400	3,391,470	1,412,757	1,123,957
Tax payable		221,576	174,855	-	-
		<u>5,228,976</u>	<u>3,566,325</u>	<u>1,412,757</u>	<u>1,123,957</u>
<b>Net current assets</b>		<u>263,066,260</u>	<u>269,625,602</u>	<u>26,759,760</u>	<u>26,111,638</u>
<b>Non-current liabilities</b>					
Other payables	19	610,574	523,105	223,790	187,735
Retirement benefits	21	55,428	50,766	4,109	8,769
Deferred tax liabilities	20	15,701,000	15,725,000	9,824,000	9,824,000
		<u>16,367,002</u>	<u>16,298,871</u>	<u>10,051,899</u>	<u>10,020,504</u>
<b>Total liabilities</b>		<u>21,595,978</u>	<u>19,865,196</u>	<u>11,464,656</u>	<u>11,144,461</u>
<b>Net assets</b>		<u>1,231,013,061</u>	<u>1,201,665,343</u>	<u>256,061,990</u>	<u>257,021,373</u>
<b>Equity attributable to owners of the parent</b>					
Share capital	22	63,171,977	63,171,977	63,171,977	63,171,977
Reserves	23	453,441,336	447,804,128	163,041,787	164,562,248
Retained earnings	24	170,927,000	165,028,125	29,848,226	29,287,148
		<u>687,540,313</u>	<u>676,004,230</u>	<u>256,061,990</u>	<u>257,021,373</u>
Non-controlling interests		<u>543,472,748</u>	<u>525,661,113</u>	<u>-</u>	<u>-</u>
		<u>1,231,013,061</u>	<u>1,201,665,343</u>	<u>256,061,990</u>	<u>257,021,373</u>
<b>Total equity and liabilities</b>		<u>1,252,609,039</u>	<u>1,221,530,539</u>	<u>267,526,646</u>	<u>268,165,834</u>

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

**KLUANG RUBBER COMPANY (MALAYA) BERHAD** (3441-K)  
(INCORPORATED IN MALAYSIA)

A N N U A L R E P O R T 2 0 1 8

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

Group 2018	Notes	Equity, total RM	Equity attributable to owners of the parent, total RM	Distributable										Non- controlling interests RM
				Share capital (Note 22) RM	Share premium (Note 23) RM	Capital reserves (Note 23) RM	Fair value reserves (Note 23) RM	Foreign currency translation reserves (Note 23) RM	Equity interest in the Company held by subsidiaries (Note 23) RM	Cultivation and replacement reserves (Note 23) RM	Property investment reserves (Note 23) RM	General reserves (Note 23) RM	Retained earnings (Note 24) RM	
Opening balance at 1 July 2017		1,201,665,343	676,004,230	63,171,977	5,215,747	216,948,174	147,752,895	75,601,152	(25,649,439)	4,861,552	5,662,147	17,411,900	165,028,125	525,661,113
Profit net of tax		13,746,548	6,482,619	-	-	-	-	-	-	-	-	-	6,482,619	7,263,929
Other comprehensive income/(loss) for the year		17,426,298	5,637,208	-	-	(1,030,147)	21,016,727	(14,185,686)	(163,686)	-	-	-	-	11,789,090
<b>Total comprehensive income/(loss) for the year</b>		31,172,846	12,119,827	-	-	(1,030,147)	21,016,727	(14,185,686)	(163,686)	-	-	-	6,482,619	19,053,019
<b>Transactions with owners:</b>														
Dividends to shareholders	25	(583,744)	(583,744)	-	-	-	-	-	-	-	-	-	(583,744)	-
Dividends to non-controlling interests	13(b)	(1,241,384)	-	-	-	-	-	-	-	-	-	-	-	(1,241,384)
<b>Closing balance at 30 June 2018</b>		1,231,013,061	687,540,313	63,171,977	5,215,747	215,918,027	168,769,622	61,415,466	(25,813,125)	4,861,552	5,662,147	17,411,900	170,927,000	543,472,748

**STATEMENTS OF CHANGES IN EQUITY (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

Group 2017	Notes	Equity, total RM	Equity attributable to owners of the parent, total RM	Non-distributable						Distributable				
				Share capital (Note 22) RM	Share premium (Note 23) RM	Capital reserves (Note 23) RM	Fair value reserves (Note 23) RM	Foreign currency translation reserves (Note 23) RM	Equity interest in the Company held by subsidiaries (Note 23) RM	Cultivation and replacement reserves (Note 23) RM	Property investment reserves (Note 23) RM	General reserves (Note 23) RM	Retained earnings (Note 24) RM	Non- controlling interests RM
		1,099,178,087	629,501,724	63,171,977	5,215,747	214,438,729	119,668,731	60,951,210	(25,649,439)	4,861,552	5,662,147	17,411,900	163,769,170	469,676,363
		4,549,696	1,842,700	-	-	-	-	-	-	-	-	-	1,842,700	2,706,996
		99,676,866	45,243,551	-	-	2,509,445	28,084,164	14,649,942	-	-	-	-	-	54,433,315
		104,226,562	47,086,251	-	-	2,509,445	28,084,164	14,649,942	-	-	-	-	1,842,700	57,140,311
<b>Transactions with owners:</b>														
	25	(583,745)	(583,745)	-	-	-	-	-	-	-	-	-	(583,745)	-
		(1,155,561)	-	-	-	-	-	-	-	-	-	-	-	(1,155,561)
		1,201,665,343	676,004,230	63,171,977	5,215,747	216,948,174	147,752,895	75,601,152	(25,649,439)	4,861,552	5,662,147	17,411,900	165,028,125	525,661,113
<b>Closing balance at 30 June 2017</b>														



**KLUANG RUBBER COMPANY (MALAYA) BERHAD** (3441-K)  
(INCORPORATED IN MALAYSIA)

A N N U A L R E P O R T 2 0 1 8

**STATEMENTS OF CHANGES IN EQUITY (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

Company 2018	Notes	Total Equity RM	Share capital (Note 22) RM	Share premium (Note 23) RM	Capital reserves (Note 23) RM	Fair value reserves (Note 23) RM	Non-distributable			Distributable		
							Foreign currency translation reserves (Note 23) RM	Cultivation and replacement reserves (Note 23) RM	General reserves (Note 23) RM	Retained earnings (Note 24) RM		
<b>Opening balance at 1 July 2017</b>		257,021,373	63,171,977	5,215,747	138,371,922	6,002,457	2,664,972	2,307,150	10,000,000	29,287,148		
Profit net of tax		1,192,798	-	-	-	-	-	-	-	-	-	1,192,798
Other comprehensive loss for the year		(1,520,461)	-	-	-	(1,520,461)	-	-	-	-	-	-
<b>Total comprehensive loss for the year</b>		(327,663)	-	-	-	(1,520,461)	-	-	-	-	-	1,192,798
<b>Transactions with owners:</b>												
Dividends	25	(631,720)	-	-	-	-	-	-	-	-	-	(631,720)
<b>Closing balance at 30 June 2018</b>		256,061,990	63,171,977	5,215,747	138,371,922	4,481,996	2,664,972	2,307,150	10,000,000	29,848,226		
<b>2017</b>												
<b>Opening balance at 1 July 2016</b>		256,214,231	63,171,977	5,215,747	138,371,922	6,971,604	2,664,972	2,307,150	10,000,000	27,510,859		
Profit net of tax		2,408,009	-	-	-	-	-	-	-	-	-	2,408,009
Other comprehensive loss for the year		(969,147)	-	-	-	(969,147)	-	-	-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>		1,438,862	-	-	-	(969,147)	-	-	-	-	-	2,408,009
<b>Transactions with owners:</b>												
Dividend	25	(631,720)	-	-	-	-	-	-	-	-	-	(631,720)
<b>Closing balance at 30 June 2017</b>		257,021,373	63,171,977	5,215,747	138,371,922	6,002,457	2,664,972	2,307,150	10,000,000	29,287,148		

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

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Operating activities</b>				
Profit before taxation	14,435,637	5,750,704	1,666,557	2,929,965
Adjustments for:				
Depreciation	511,164	400,146	343,131	294,856
Property, plant and equipment written off	103,065	2,337	24	2,337
Gain on disposal of property, plant and equipment	-	(12,419)	-	(12,419)
Gain on disposal of available-for-sale investments	-	(6,128,070)	-	-
Impairment loss on available-for-sale investments	526,271	6,821,181	-	-
Investment properties written off	-	230,000	-	-
Provision for retirement benefits	10,207	8,920	885	1,064
Dividend income	(11,167,436)	(8,959,116)	(1,197,090)	(1,178,258)
Interest income	(2,239,583)	(1,914,993)	(386,276)	(466,960)
Share of (profit)/loss of associates	(958,803)	3,555,586	-	-
Unrealised foreign exchange (gain)/loss	(115,964)	4,125,226	731,533	(98,661)
Fair value loss/(gain) on investment properties	212,011	(2,128,891)	-	-
Operating cash flows before working capital changes	1,316,569	1,750,611	1,158,764	1,471,924
Receivables	(92,909)	649,078	(43,399)	213,761
Prepayments	(48,133)	13,661	(15,328)	(5,880)
Inventories	19,922	219,136	3,928	37,986
Payables	1,749,999	(748,108)	324,856	94,261
Cash flows generated from operations	2,945,448	1,884,378	1,428,821	1,812,052
Retirement benefits paid	(5,545)	-	(5,545)	-
Taxes paid	(757,270)	(1,053,790)	(442,500)	(700,000)
Taxes refunded	587,183	307,200	117,741	127,844
Net cash flows generated from operating activities	2,770,199	1,137,788	1,098,517	1,239,896
<b>Investing activities</b>				
Dividends received	12,421,614	11,130,918	1,197,090	1,300,402
Interest income received	1,697,256	2,070,758	359,834	481,737
(Placement)/Uplift of fixed deposits with maturity exceeding 90 days	(131,880,630)	6,743,074	(6,163,541)	(231,262)
Purchase of property, plant and equipment	(1,488,638)	(665,893)	(287,505)	(196,146)
Addition of biological assets	(6,087,138)	(10,473,330)	-	-
Proceeds from disposal of available-for-sale investments	-	6,255,571	-	-
Proceeds from disposal of property, plant and equipment	-	134,896	-	134,896
Net cash flows (used in)/generated from investing activities	(125,337,536)	15,195,994	(4,894,122)	1,489,627

**STATEMENTS OF CASH FLOWS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Financing activities</b>				
Dividends paid to shareholders	(583,744)	(583,745)	(631,720)	(631,720)
Dividends paid to non-controlling interests	(1,241,384)	(1,155,561)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash flows used in financing activities	(1,825,128)	(1,739,306)	(631,720)	(631,720)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(124,392,465)	14,594,476	(4,427,325)	2,097,803
<b>Effects of exchange rate changes</b>	(12,519,845)	8,814,433	(731,534)	98,662
<b>Cash and cash equivalents at beginning of year</b>	257,438,414	234,029,505	18,915,515	16,719,050
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year (Note 18)</b>	<u>120,526,104</u>	<u>257,438,414</u>	<u>13,756,656</u>	<u>18,915,515</u>

*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 30 JUNE 2018

### 1. CORPORATE INFORMATION

Kluang Rubber Company (Malaya) Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 7E, Level 7, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor. The principal place of business is located at Kluang Estate, Batu 2, Jalan Mengkibol, P.O. Box 64, 86007 Kluang, Johor.

The principal activities of the Company consist of the production and sale of fresh oil palm fruit bunches. The Company is also a long term portfolio investor in securities. The principal activity and other information on the subsidiaries are described in Note 13.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

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

The financial statements have also been prepared on a historical cost basis, except for freehold land included within property, plant and equipment, investment properties and available-for-sale investments that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia ("RM").

#### 2.2 Changes in accounting policies

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year except as disclosed below:

Amendments to FRS 107 *Statement of Cash Flows - Disclosure Initiative*

Amendments to FRS 112 *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments to FRS 12 *Disclosure of Interest in Other Entities Annual Improvements to FRSs 2014-2016 Cycle*

The adoption of the above Amendments to FRSs did not have any material impact on the financial statements of the Group and the Company.

#### **FRS 107 Disclosure Initiative (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 these amendments, entities are not required to provide comparative information for preceding periods. The application of these amendments has had no impact on the Group and on the Company.

#### **FRS 112 Recognition of Deferred Tax Assets 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.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

## **NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

### **2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **2.2 Changes in accounting policies (cont'd)**

##### **Amendments to FRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in FRS 12**

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group's interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

#### **2.3 Convergence with Malaysian Financial Reporting Standards ("MFRS")**

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 June 2019. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group has established a project team to plan and manage the adoption of the MFRS Framework. This project consists of the following phases:

(a) Assessment and planning phase

This phase involves the following:

- (i) High level identification of the key differences between Financial Reporting Standards and accounting standards under the MFRS Framework and disclosures that are expected to arise from the adoption of MFRS Framework;
- (ii) Evaluation of any training requirements; and
- (iii) Preparation of a conversion plan.

(b) Implementation and review phase

This phase aims to:

- (i) develop training programs for the staff;
- (ii) formulate new and/or revised accounting policies and procedures for compliance with the MFRS Framework;
- (iii) identify potential financial effects as at the date of transition, arising from the adoption of the MFRS Framework; and
- (iv) develop disclosures required by the MFRS Framework.

The Group and the Company have not completed their assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 30 June 2018 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 30 June 2019.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls as investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership in interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

#### 2.5 Transactions with non-controlling interests

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

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.6 Foreign currencies

The Group's consolidated financial statements are presented in Ringgit Malaysia, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

##### (a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

##### (b) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Ringgit Malaysia at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.7 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 other comprehensive income as incurred.

Freehold land is measured at fair value. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land at the reporting date. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an 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:

Buildings	10%
Plant and machinery	10%
Furniture, fittings and computers	10%
Motor vehicles and tractors	33.3%

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.

#### 2.8 Biological assets

Biological assets represent oil palms which are initially recorded at cost. Certain biological assets have not been revalued since 1959 and continue to be stated at their 1959 valuation as permitted under the transitional provisions of International Accounting Standard (IAS) 16 (Revised): Property, Plant and Equipment which was the applicable accounting standard when the last revaluation was done.

##### (a) New planting

New planting expenditure incurred on land clearing and upkeep of trees to maturity are capitalised under estate costs and are not depreciated.

##### (b) Replanting expenditure

Replanting expenditure consists of expenses incurred from the point of clearing of planted areas to the point of harvesting and is charged to profit or loss in the year that it is incurred.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.9 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

#### 2.10 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

#### 2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.12 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### 2.13 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.13 Current versus non-current classification (cont'd)

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

#### 2.14 Fair value measurement

The Group measures financial instruments such as available-for-sale financial assets, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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 by the Group.

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

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

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

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 prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.14 Fair value measurement (cont'd)

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

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement, such as investment properties and unquoted financial assets.

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.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in Note 28.

#### 2.15 Financial instruments

##### (a) Financial assets

###### Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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.

###### Subsequent measurement

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

###### *i) Loans and receivables*

Non-derivative 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, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.15 Financial instruments (cont'd)

##### (a) Financial assets (cont'd)

###### Subsequent measurement (cont'd)

###### ii) *Available-for-sale financial assets*

Available-for-sale financial assets include equity investment. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

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

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

###### De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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.

##### (b) Financial liabilities

###### Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

###### Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

###### De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.16 Investment in precious metal - gold bullion

Investment in precious metal - gold bullion is initially measured at cost. After initial recognition, gold bullion are measured at fair value. Any gains or losses from changes in fair value of the gold bullion is recognised in other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the precious metal is derecognised.

The Group and the Company assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of investment in precious metal, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost.

'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group and the Company evaluate, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

#### 2.17 Impairment of financial assets

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

##### (a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.17 Impairment of financial assets (cont'd)

##### (a) Financial assets carried at amortised cost (cont'd)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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.

##### (b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include:

- (i) significant financial difficulty of the issuer or obligor,
- (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and
- (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

#### 2.18 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts, pledged deposits and deposits with maturity exceeding 90 days.

#### 2.19 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:

Spare parts, fertilizers and chemicals: purchase costs on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.20 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

#### 2.21 Employee benefits

##### (a) 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. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

##### (c) Retirement benefits

The Group and the Company provide for retirement benefits for eligible employees on an unfunded defined benefits basis in accordance with the terms of the unions' collective agreement and/or employment agreement. Full provision has been made for retirement benefits payable to all eligible employees based on their last drawn salaries, the length of service to-date and the rates set out in the said agreements. Should an employee leave after completing the qualifying period of service but before attaining the retirement age, the provision made for the employee is written back.

#### 2.22 Leases

##### (a) As lessee

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

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



## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(d).

#### 2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

#### (a) Sales of goods

Revenue relating to sale of fresh oil palm fruit bunches is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. 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.

#### (b) Interest income

Interest income is recognised using the effective interest method.

#### (c) Dividend income

Dividend income is recognised when the right to receive payment is established.

#### (d) Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

#### 2.24 Taxes

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods 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 at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**2.24 Taxes (cont'd)**

**(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; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**2.24 Taxes (cont'd)**

**(c) Goods and Services Tax (“GST”)**

Revenues, expenses, liabilities 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.

**2.25 Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

**2.26 Share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and 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.

**2.27 Contingencies**

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

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated 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 end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

#### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

##### (a) Consolidation of Sungei Bagan Rubber Company Malaya (Berhad) ("Sungei Bagan") and Kuchai Development Berhad ("Kuchai")

The directors consider that the Group has control of Sungei Bagan and Kuchai, which are public limited liability companies listed on the Main Market of Bursa Malaysia Securities Berhad, even though it has less than 50% of each of the two companies' voting rights. The Group is the major shareholder of Sungei Bagan and Kuchai with a 43.40% and 45.25% equity interest respectively as at 30 June 2018 (2017: 43.40% and 45.25%). The second largest shareholder holds 5% and 9% of the equity interest respectively. All other shareholders individually own less than 3% of the equity shares of Sungei Bagan and Kuchai. Historically, other than the second largest shareholder, less than 20 shareholders attended the Annual General Meetings held in the past 3 years.

On this basis, the directors consider that the shareholders who are likely to attend the shareholders' meeting are unlikely to out vote the Company in any shareholders' meetings and therefore the Group has control over Sungei Bagan and Kuchai.

##### (b) Valuation of investment in unquoted equity instruments

The Group measures the investment in unquoted equity instruments classified as available-for-sale financial assets at fair value.

The management used the net asset value of the investment entity to determine fair value. The assets of the entity mainly consist of quoted shares for which fair values are determined based on publicly available market data.

#### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

##### Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist, using the comparison method, to assess fair value of the investment properties as at 30 June 2018. The key assumptions and the unobservable inputs which are used to determine the fair value of the investment properties are disclosed in Note 28 (a).

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**4. REVENUE**

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sales of fresh oil palm fruit bunches	14,064,736	12,900,910	6,307,203	5,887,763
Dividend income				
- Quoted shares in Malaysia	113,340	99,315	933,938	871,263
- Quoted shares outside Malaysia	11,054,096	8,452,583	263,152	306,995
- Unquoted shares outside Malaysia	-	407,218	-	-
	<u>11,167,436</u>	<u>8,959,116</u>	<u>1,197,090</u>	<u>1,178,258</u>
Rental income	1,633,170	1,518,234	-	-
Interest income	2,239,583	1,914,993	386,276	466,960
	<u><u>29,104,925</u></u>	<u><u>25,293,253</u></u>	<u><u>7,890,569</u></u>	<u><u>7,532,981</u></u>

**5. EMPLOYEE BENEFITS EXPENSES**

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Wages and salaries	2,598,424	1,818,909	887,529	497,441
Contributions to defined contribution plan	144,753	130,668	46,772	40,675
Social security contributions	12,399	13,499	3,929	3,751
Retirement benefits (Note 21)				
- Current year	10,207	12,174	885	1,064
- Overprovided in prior year	-	(3,254)	-	-
Other benefits	490,341	423,370	174,399	171,950
	<u><u>3,256,124</u></u>	<u><u>2,395,366</u></u>	<u><u>1,113,514</u></u>	<u><u>714,881</u></u>

Included in employee benefits expenses of the Group and Company are executive directors' remuneration amounting to RM1,725,596 (2017: RM930,054) and RM650,708 (2017: RM241,520) respectively as further disclosed in Note 7.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**6. PROFIT FROM OPERATIONS**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit from operations is stated after charging/(crediting):				
Auditors' remuneration				
- Current year	133,000	130,500	47,500	47,500
- Prior year	2,500	-	-	-
- Of subsidiary, borne by the Company	12,000	12,000	4,000	4,000
- Other services	251,722	170,689	139,300	57,400
Depreciation	511,164	400,146	343,131	294,856
Gain on disposal of property, plant and equipment	-	(12,419)	-	(12,419)
Gain on disposal of investments	-	(6,128,070)	-	-
Impairment loss on investments	526,271	6,821,181	-	-
Property, plant and equipment written off	103,065	2,337	24	2,337
Fees payable to directors of a subsidiary	8,829	9,261	-	-
Foreign exchange loss/(gain)				
- Realised	7,346	28,133	(6,430)	13,734
- Unrealised	(115,964)	4,125,226	731,533	(98,661)
Replanting cost	274,686	950,076	69,229	434,217
Direct operating expenses from investment properties	261,720	430,774	-	-
Fair value loss/(gain) on investment properties	212,011	(2,128,891)	-	-
Investment properties written off (Note 12)	-	230,000	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**7. DIRECTORS' REMUNERATION**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Directors of the Company				
Executive:				
- Salaries and allowances	1,353,306	679,074	502,368	149,000
- Fees	372,290	250,980	148,340	92,520
	<u>1,725,596</u>	<u>930,054</u>	<u>650,708</u>	<u>241,520</u>
Non-executive:				
- Fees	955,320	714,090	344,660	268,655
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>2,680,916</u>	<u>1,644,144</u>	<u>995,368</u>	<u>510,175</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**7. DIRECTORS' REMUNERATION (cont'd)**

The number of directors of the Company whose total remuneration during the year fell within the following bands are as analysed below:

	<b>Number of Directors</b>	
	<b>2018</b>	<b>2017</b>
<b>Executive directors</b>		
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	1	-
RM150,001 to RM250,000	1	1
RM250,001 to RM300,000	1	-
<b>Non-Executive directors</b>		
Below RM50,000	-	1
RM50,001 to RM100,000	-	3
RM100,001 to RM150,000	3	-

**8. INCOME TAX**

Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2018 and 2017 are:

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Current income tax:				
Malaysian income tax	582,173	756,627	481,000	522,000
Foreign income tax	159,502	(55,988)	-	-
	741,675	700,639	481,000	522,000
Under/(over) provision in respect of previous years:				
Malaysian income tax	(8,746)	(21,884)	(7,241)	(44)
Foreign income tax	18,160	(37,497)	-	-
	9,414	(59,381)	(7,241)	(44)
Deferred tax (Note 20):				
Origination and reversal of temporary differences	201,766	319,750	-	-
(Over)/under provision in prior year	(263,766)	240,000	-	-
	(62,000)	559,750	-	-
<b>Total income tax expense</b>	<b>689,089</b>	<b>1,201,008</b>	<b>473,759</b>	<b>521,956</b>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**8. INCOME TAX EXPENSE (cont'd)**

**Reconciliation between tax expense and accounting profit:**

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 June 2018 and 2017 is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before taxation	14,435,637	5,750,704	1,666,557	2,929,965
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	3,464,553	1,380,169	399,974	703,192
Income not subject to tax	(3,177,026)	(2,028,498)	(299,000)	(310,000)
Effects of expenses not deductible for tax purposes	1,097,172	2,698,798	380,026	128,808
Effects of share of results of associates	(230,113)	853,340	-	-
Different tax rate in foreign countries	(211,145)	(266,478)	-	-
Effects of capital gain not subject to tax	-	(1,616,942)	-	-
Under/(over) provision of tax expense in prior years	9,414	(59,381)	(7,241)	(44)
(Over)/under provision of deferred tax in prior year	(263,766)	240,000	-	-
Tax expense for the year	689,089	1,201,008	473,759	521,956

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

**9. EARNINGS PER SHARE**

**(a) Basic**

Basic earnings per share is calculated by dividing the profit for the year by the number of ordinary shares in issue during the financial year.

	2018	Group 2017
Profit attributable to owners of parent for the year (RM)	6,482,619	1,842,700
Weighted average number of ordinary shares in issue (unit)	63,171,977	63,171,977
Basic earnings per share (sen)	10.3	2.9

**(b) Diluted**

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding as at 30 June 2018.



**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**10. PROPERTY, PLANT AND EQUIPMENT**

Group	At valuation	< - - - - - At cost - - - - - >			Total RM
	Freehold land RM	Buildings RM	Plant and machinery RM	*Other assets RM	
At 1 July 2016	298,052,096	2,239,540	907,461	1,331,486	302,530,583
Additions	-	433,500	36,500	195,893	665,893
Disposal	(122,477)	-	-	-	(122,477)
Written off	-	-	-	(4,010)	(4,010)
Exchange difference	-	-	-	1,305	1,305
At 30 June 2017 and 1 July 2017	297,929,619	2,673,040	943,961	1,524,674	303,071,294
Additions	-	908,437	437,854	142,347	1,488,638
Written off	-	(55,182)	(125,351)	(251,003)	(431,536)
Exchange difference	-	-	-	(1,541)	(1,541)
At 30 June 2018	297,929,619	3,526,295	1,256,464	1,414,477	304,126,855
<b>Accumulated depreciation</b>					
At 1 July 2016	-	1,304,850	458,725	883,603	2,647,178
Charge for the year	-	98,307	73,182	228,657	400,146
Written off	-	-	-	(1,673)	(1,673)
Exchange difference	-	-	-	821	821
At 30 June 2017 and 1 July 2017	-	1,403,157	531,907	1,111,408	3,046,472
Charge for the year	-	125,236	116,968	268,960	511,164
Written off	-	(55,173)	(125,304)	(147,994)	(328,471)
Exchange difference	-	-	-	(1,080)	(1,080)
At 30 June 2018	-	1,473,220	523,571	1,231,294	3,228,085
<b>Net carrying amount</b>					
At 30 June 2017	297,929,619	1,269,883	412,054	413,266	300,024,822
At 30 June 2018	297,929,619	2,053,075	732,893	183,183	300,898,770

\* Other assets comprise furniture, fittings, computers, motor vehicles and tractors.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**10. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

Company	At valuation	<----- At cost ----->			Total RM
	Freehold land RM	Buildings RM	Plant and machinery RM	*Other assets RM	
At 1 July 2016	195,918,500	1,112,216	535,054	839,358	198,405,128
Additions	-	175,500	-	20,646	196,146
Disposal	(122,477)	-	-	-	(122,477)
Written off	-	-	-	(4,010)	(4,010)
At 30 June 2017 and 1 July 2017	195,796,023	1,287,716	535,054	855,994	198,474,787
Additions	-	151,403	-	136,102	287,505
Written off	-	-	(20,425)	(46,739)	(67,164)
At 30 June 2018	195,796,023	1,439,119	514,629	945,357	198,695,128
<b>Accumulated depreciation</b>					
At 1 July 2016	-	721,972	281,684	472,040	1,475,696
Charge for the year	-	77,182	44,064	173,610	294,856
Written off	-	-	-	(1,673)	(1,673)
At 30 June 2017 and 1 July 2017	-	799,154	325,748	643,977	1,768,879
Charge for the year	-	85,185	44,064	213,882	343,131
Written off	-	-	(20,418)	(46,722)	(67,140)
At 30 June 2018	-	884,339	349,394	811,137	2,044,870
<b>Net carrying amount</b>					
At 30 June 2017	195,796,023	488,562	209,306	212,017	196,705,908
At 30 June 2018	195,796,023	554,780	165,235	134,220	196,650,258

\* Other assets comprise furniture, fittings, computers, motor vehicles and tractors.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**10. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

- (a) The Group's and the Company's freehold land were revalued at RM297,918,500 and RM195,918,500 respectively on 30 June 2015 by professional valuers. The valuation was made based on the comparison method which involves comparing the subject properties with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities.

No valuation was performed during the current financial year as the directors are of the opinion that there is no significant fluctuation in the fair value of the freehold land since the last valuation on 30 June 2015.

Information on significant unobservable valuation inputs are disclosed in Note 28 (a).

- (b) Included in property, plant and equipment of the Group and of the Company are the cost of the following fully depreciated assets which are still in use:

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Buildings	1,084,127	1,127,580	598,986	587,256
Plant and machinery	90,473	212,144	77,673	94,418
Other assets	1,072,725	648,604	727,446	273,177
	<u>2,247,325</u>	<u>1,988,328</u>	<u>1,404,105</u>	<u>954,851</u>

**11. BIOLOGICAL ASSETS**

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
At 1 July	20,898,980	10,425,650	336,079	336,079
Additions	6,087,138	10,473,330	-	-
At 30 June	<u>26,986,118</u>	<u>20,898,980</u>	<u>336,079</u>	<u>336,079</u>

- (a) Biological assets comprise oil palm. Certain biological assets were revalued by directors in 1959 and 1965.
- (b) Due to the absence of historical records, no disclosure on the historical cost of the revalued biological assets are made.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**12. INVESTMENT PROPERTIES**

	<b>2018</b>	<b>Group</b>
	<b>RM</b>	<b>2017</b>
		<b>RM</b>
At 1 July	68,594,291	64,447,068
Fair value adjustment	(212,011)	2,128,891
Written off (Note 6)	-	(230,000)
Exchange difference	(3,372,444)	2,248,332
	<u>65,009,836</u>	<u>68,594,291</u>
At 30 June	<u>65,009,836</u>	<u>68,594,291</u>

Investment properties are stated at fair value, which has been determined based on valuations at the reporting date. Valuations are performed by accredited independent valuers using the comparison method. The Group has assessed that the highest and best use of its properties do not differ from their current use.

Details of significant unobservable valuation inputs for using the comparison method of valuation are disclosed in Note 28(a).

**13. INVESTMENT IN SUBSIDIARIES**

	<b>2018</b>	<b>Company</b>
	<b>RM</b>	<b>2017</b>
		<b>RM</b>
Quoted shares, at cost	8,828,627	8,828,627
Unquoted shares, at cost	26,784,005	26,784,005
	<u>35,612,632</u>	<u>35,612,632</u>
Quoted shares, at fair value	<u>182,799,556</u>	<u>128,434,085</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**13. INVESTMENT IN SUBSIDIARIES (cont'd)**

**a) Composition of the Group**

Details of the subsidiaries are as follows:

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest	
			2018	2017
<i>Held by the Company:</i>				
Sungei Bagan Rubber Company (Malaya) Berhad	Malaysia	Plantation owner and long term portfolio investor	43.40	43.40
Kuchai Development Berhad	Malaysia	Investment holding	45.30	45.30
Devon Worldwide Limited	British Virgin Islands	Investment holding	100	100
<i>Held through Sungei Bagan Rubber Company (Malaya) Berhad:</i>				
Lanstar Assets Limited	British Virgin Islands	Investment holding	43.40	43.40
Springvale International Limited	British Virgin Islands	Investment holding	43.40	43.40

The following subsidiaries have non-controlling interests ("NCI") that are material to the Group.

Names of the subsidiaries	Proportion of ownership interest held by NCI	
	2018	2017
<b>As at 30 June</b>		
Sungei Bagan Rubber Company (Malaya) Berhad	56.60%	56.60%
Kuchai Development Berhad	54.75%	54.75%

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**13. INVESTMENT IN SUBSIDIARIES (cont'd)**

**b) Summarised financial information about subsidiaries with material NCI**

Summarised financial information of subsidiaries with material non-controlling interests are as follows:

**Summarised statements of financial position**

	<b>Sungei Bagan RM</b>	<b>Kuchai RM</b>	<b>Total RM</b>
<b>At 30 June 2018</b>			
Non-current assets	495,630,735	323,279,903	818,910,638
Current assets	145,937,409	67,931,407	213,868,816
Total assets	641,568,144	391,211,310	1,032,779,454
Current liabilities	2,831,201	998,743	3,829,944
Non-current liabilities	5,782,103	235,000	6,017,103
Total liabilities	8,613,304	1,233,743	9,847,047
Equity	632,954,840	389,977,567	1,022,932,407
Equity attributable to NCI	358,252,439	213,512,718	571,765,157
Elimination adjustments	(13,971,699)	(804,642)	(14,776,341)
Other adjustments	(17,380,821)	3,864,753	(13,516,068)
Adjusted NCI	326,899,919	216,572,829	543,472,748
<b>At 30 June 2017</b>			
Non-current assets	466,066,867	299,913,002	765,979,869
Current assets	152,639,076	65,948,816	218,587,892
Total assets	618,705,943	365,861,818	984,567,761
Current liabilities	1,357,449	1,013,431	2,370,880
Non-current liabilities	5,783,367	235,000	6,018,367
Total liabilities	7,140,816	1,248,431	8,389,247
Equity	611,565,127	364,613,387	976,178,514
Equity attributable to NCI	346,757,427	199,443,523	546,200,950
Elimination adjustments	(9,891,674)	(858,851)	(10,750,525)
Other adjustments	(14,367,659)	4,578,347	(9,789,312)
Adjusted NCI	322,498,094	203,163,019	525,661,113

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**13. INVESTMENT IN SUBSIDIARIES (cont'd)**

**b) Summarised financial information about subsidiaries with material NCI (cont'd)**

**Summarised statements of comprehensive income**

	<b>Sungei Bagan RM</b>	<b>Kuchai RM</b>	<b>Total RM</b>
<b>Year ended 30 June 2018</b>			
Revenue	14,193,069	7,774,739	21,967,808
Profit for the year attributable to:			
- equity holders of the parent	2,750,770	3,038,585	5,789,355
- non-controlling interest	3,587,409	3,676,520	7,263,929
	<u>6,338,179</u>	<u>6,715,105</u>	<u>13,053,284</u>
Other comprehensive income attributable to:			
- equity holders of the parent	1,046,822	8,617,764	9,664,586
- non-controlling interest	1,362,072	10,427,018	11,789,090
	<u>2,408,894</u>	<u>19,044,782</u>	<u>21,453,676</u>
Total comprehensive income attributable to:			
- equity holders of the parent	3,797,592	11,656,349	15,453,941
- non-controlling interest	4,949,481	14,103,538	19,053,019
	<u>8,747,073</u>	<u>25,759,887</u>	<u>34,506,960</u>
Dividends paid to NCI	<u>547,656</u>	<u>693,728</u>	<u>1,241,384</u>
<b>Year ended 30 June 2017</b>			
Revenue	12,296,477	5,860,605	18,157,082
(Loss)/profit for the year attributable to:			
- equity holders of the parent	(2,648,740)	5,092,253	2,443,513
- non-controlling interest	(3,454,348)	6,161,344	2,706,996
	<u>(6,103,088)</u>	<u>11,253,597</u>	<u>5,150,509</u>
Other comprehensive income attributable to:			
- equity holders of the parent	24,940,775	18,167,475	43,108,250
- non-controlling interest	32,451,675	21,981,640	54,433,315
	<u>57,392,450</u>	<u>40,149,115</u>	<u>97,541,565</u>
Total comprehensive income attributable to:			
- equity holders of the parent	22,292,035	23,259,728	45,551,763
- non-controlling interest	28,997,327	28,142,984	57,140,311
	<u>51,289,362</u>	<u>51,402,712</u>	<u>102,692,074</u>
Dividends paid to NCI	<u>547,656</u>	<u>607,905</u>	<u>1,155,561</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**13. INVESTMENT IN SUBSIDIARIES (cont'd)**

**b) Summarised financial information about subsidiaries with material NCI (cont'd)**

**Summarised cash flow information**

	<b>Sungei Bagan RM</b>	<b>Kuchai RM</b>	<b>Total RM</b>
<b>Year ended 30 June 2018</b>			
Operating	2,344,620	(327,770)	2,016,850
Investing	(67,630,088)	(44,806,084)	(112,436,172)
Financing	<u>(1,326,653)</u>	<u>(1,200,350)</u>	<u>(2,527,003)</u>
Net decrease in cash and cash equivalents	<u>(66,612,121)</u>	<u>(46,334,204)</u>	<u>(112,946,325)</u>
<b>Year ended 30 June 2017</b>			
Operating	649,784	(256,722)	393,062
Investing	1,406,459	12,671,225	14,077,684
Financing	<u>(1,326,653)</u>	<u>(1,051,854)</u>	<u>(2,378,507)</u>
Net increase in cash and cash equivalents	<u>729,590</u>	<u>11,362,649</u>	<u>12,092,239</u>

**14. INVESTMENT IN ASSOCIATES**

	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Outside Malaysia:		
Unquoted shares, at cost	83,167,143	83,167,143
Share of post-acquisition reserves and other adjustments	<u>19,747,707</u>	<u>22,438,543</u>
	<u>102,914,850</u>	<u>105,605,686</u>

<b>Name of Associates</b>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Proportion (%) of ownership interest</b>	
			<b>2018</b>	<b>2017</b>
<i>Held through subsidiaries:</i>				
Kuala Pergau Rubber Plantations PLC ("KP")	England	Plantation owner	25.00	25.00
Balland Properties Limited ("Balland")	Ireland	Investment holding	49.00	49.00
Raffles - Asia Investment Company ("RAIC")	Mauritius	Invest in a portfolio of securities	43.43	43.45

\* equals to the proportion of voting rights held.



**NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**14. INVESTMENT IN ASSOCIATES (cont'd)**

Summarised financial information of the associates is set out below:

(i) Summarised statements of financial position

<b>As at 30 June 2018</b>	<b>KP RM</b>	<b>Balland RM</b>	<b>RAIC RM</b>	<b>Total RM</b>
Current assets	561,235	352,888	227,158,680	228,072,803
Non-current assets	859,697	12,668,185	-	13,527,882
Current liabilities	(564,860)	(2,846,554)	(807,071)	(4,218,485)
Non-current liabilities	(300,000)	(1,049,360)	-	(1,349,360)
Equity	<u>556,072</u>	<u>9,125,159</u>	<u>226,351,609</u>	<u>236,032,840</u>
Proportion of Group's ownership	25.00%	49.00%	43.43%	
Carrying amount of investment	<u>139,018</u>	<u>4,471,328</u>	<u>98,304,504</u>	<u>102,914,850</u>
<b>As at 30 June 2017</b>	<b>KP RM</b>	<b>Balland RM</b>	<b>RAIC RM</b>	<b>Total RM</b>
Current assets	493,480	502,899	249,962,095	250,958,474
Non-current assets	859,697	13,730,284	-	14,589,981
Current liabilities	(571,146)	(2,864,033)	(1,522,656)	(4,957,835)
Non-current liabilities	(300,000)	(1,198,445)	-	(1,498,445)
Equity	<u>482,031</u>	<u>10,170,705</u>	<u>248,439,439</u>	<u>259,092,175</u>
Proportion of Group's ownership	25.00%	49.00%	43.45%	
Equity attributable to the Group	120,508	4,983,645	107,946,936	113,051,089
Other adjustments	-	1,285,681	(8,731,084)	(7,445,403)
Carrying amount of investment	<u>120,508</u>	<u>6,269,326</u>	<u>99,215,852</u>	<u>105,605,686</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**14. INVESTMENT IN ASSOCIATES (cont'd)**

(ii) Summarised statements of comprehensive income

<b>For the year ended 30 June 2018</b>	<b>KP RM</b>	<b>Balland RM</b>	<b>RAIC RM</b>	<b>Total RM</b>
Revenue	-	-	4,017,620	4,017,620
Other income	262,940	-	-	262,940
Other expenses	(86,889)	(18,578)	-	(105,467)
Other operating expenses	(42,008)	(574,761)	(1,373,260)	(1,990,029)
Income tax expense	(60,000)	-	(4,820)	(64,820)
Profit/(Loss) for the year	<u>74,043</u>	<u>(593,339)</u>	<u>2,639,540</u>	<u>2,120,244</u>
Other comprehensive loss	-	-	(6,940,043)	(6,940,043)
Total comprehensive income/(loss) for the year	<u>74,043</u>	<u>(593,339)</u>	<u>(4,300,503)</u>	<u>(4,819,799)</u>
Proportion of Group's ownership	25.00%	49.00%	43.43%	
Group's share of profit/(loss) for the year	18,511	(290,736)	1,146,352	874,127
Change in proportion of Group's ownership	-	-	410,282	410,282
Adjustments to conform with the accounting policies of the Group	-	(325,606)	-	(325,606)
Group's share of profit/(loss) for the year, net	<u>18,511</u>	<u>(616,342)</u>	<u>1,556,634</u>	<u>958,803</u>
Group's share of other comprehensive loss for the year	-	-	(3,014,061)	(3,014,061)
Change in proportion of Group's ownership	-	-	585,579	585,579
Group's share of other comprehensive loss for the year, net	-	-	<u>(2,428,482)</u>	<u>(2,428,482)</u>
Group's share of total comprehensive income/(loss) for the year	<u>18,511</u>	<u>(616,342)</u>	<u>(871,848)</u>	<u>(1,469,679)</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**14. INVESTMENT IN ASSOCIATES (cont'd)**

(ii) Summarised statements of comprehensive income (cont'd)

<b>For the year ended 30 June 2017</b>	<b>KP RM</b>	<b>Balland RM</b>	<b>RAIC RM</b>	<b>Total RM</b>
Revenue	-	557	3,109,672	3,110,229
Other income	250,000	4,994	-	254,994
Other expenses	(123,915)	75	-	(123,840)
Other operating expenses	(12,447)	(605,901)	(13,640,644)	(14,258,992)
Income tax expense	(47,410)	(179)	106,856	59,267
Profit/(Loss) for the year	<u>66,228</u>	<u>(600,454)</u>	<u>(10,424,116)</u>	<u>(10,958,342)</u>
Other comprehensive income	-	-	16,168,596	16,168,596
Total comprehensive income/(loss) for the year	<u>66,228</u>	<u>(600,454)</u>	<u>5,744,480</u>	<u>5,210,254</u>
Proportion of Group's ownership	25.00%	49.00%	43.45%	
Group's share of profit/(loss) for the year	16,557	(294,222)	(4,529,278)	(4,806,943)
Change in proportion of Group's ownership	-	-	855,100	855,100
Adjustment to conform with the accounting policies of the Group	-	396,257	-	396,257
Group's share of profit/(loss) for the year, net	<u>16,557</u>	<u>102,035</u>	<u>(3,674,178)</u>	<u>(3,555,586)</u>
Group's share of other comprehensive profit for the year	-	-	5,697,813	5,697,813
Change in proportion of Group's ownership	-	-	84,319	84,319
Group's share of other comprehensive income for the year, net	<u>-</u>	<u>-</u>	<u>5,782,132</u>	<u>5,782,132</u>
Group's share of total comprehensive income for the year	<u>16,557</u>	<u>102,035</u>	<u>2,107,954</u>	<u>2,226,546</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**15. INVESTMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>At fair value:</b>				
Quoted -				
Shares outside Malaysia	426,592,732	391,197,985	4,483,729	5,873,998
Unquoted -				
Redeemable preference shares outside Malaysia	7,808,056	8,830,109	-	-
Other equity instruments outside Malaysia	33,502,966	31,451,719	-	-
Total available-for-sale investments	<u>467,903,754</u>	<u>431,479,813</u>	<u>4,483,729</u>	<u>5,873,998</u>
Investment in precious metal	<u>20,302,475</u>	<u>21,475,020</u>	<u>2,271,431</u>	<u>2,401,622</u>
	<u>488,206,229</u>	<u>452,954,833</u>	<u>6,755,160</u>	<u>8,275,620</u>

**16. INVENTORIES**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At cost:				
Spare parts, fertilizers and chemicals	<u>27,390</u>	<u>47,312</u>	<u>1,739</u>	<u>5,667</u>

**17. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Trade receivables	<u>443,832</u>	<u>495,192</u>	<u>346,496</u>	<u>267,832</u>
Other receivables:				
Deposits	530,018	530,018	16,138	16,138
Sundry receivables	1,034,665	354,668	118,169	108,942
Due from subsidiaries	<u>-</u>	<u>-</u>	<u>302,827</u>	<u>320,878</u>
	<u>1,564,683</u>	<u>884,686</u>	<u>437,134</u>	<u>445,958</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**17. TRADE AND OTHER RECEIVABLES (cont'd)**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total trade and other receivables	2,008,515	1,379,878	783,630	713,790
Add: Cash and short-term deposits (Note 18)	<u>265,423,000</u>	<u>270,454,680</u>	<u>27,257,525</u>	<u>26,252,843</u>
Total loan and receivables	<u><u>267,431,515</u></u>	<u><u>271,834,558</u></u>	<u><u>28,041,155</u></u>	<u><u>26,966,633</u></u>

**(a) Trade receivables**

Trade receivables are non-interest bearing and are generally on 15 to 30 days (2017: 15 to 30 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Neither past due nor impaired	<u>443,832</u>	<u>495,192</u>	<u>346,496</u>	<u>267,832</u>

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) Other receivables**

Deposits and sundry receivables are unsecured, interest free and are repayable upon demand.

**(c) Due from subsidiaries**

Amounts due from subsidiaries are unsecured, non-interest bearing and are repayable upon demand.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**18. CASH AND SHORT-TERM DEPOSITS**

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash at banks and on hand				
- in Malaysia	15,176,529	10,248,058	5,247,590	4,295,602
- outside Malaysia	97,424,094	220,039,418	4,268,900	10,493,900
Short-term deposits				
- in Malaysia	19,396,647	30,776,330	11,802,265	11,463,341
- outside Malaysia	133,425,730	9,390,874	5,938,770	-
Cash and bank balances	<u>265,423,000</u>	<u>270,454,680</u>	<u>27,257,525</u>	<u>26,252,843</u>

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	265,423,000	270,454,680	27,257,525	26,252,843
Less: Short-term deposits with maturities exceeding 90 days	<u>(144,896,896)</u>	<u>(13,016,266)</u>	<u>(13,500,869)</u>	<u>(7,337,328)</u>
Cash and cash equivalents	<u>120,526,104</u>	<u>257,438,414</u>	<u>13,756,656</u>	<u>18,915,515</u>

The weighted average effective interest rates of deposits at the reporting date were as follows:

	Group		Company	
	Interest rate (% per annum)		Interest rate (% per annum)	
	2018	2017	2018	2017
In Malaysia	2.93 - 3.09	2.70 - 3.25	3.09	2.91
Outside Malaysia	0.56 - 0.86	0.25	0.70	N/A

The average remaining maturity of deposits as at the end of the financial year were as follows:

	Group		Company	
	Maturity (days)		Maturity (days)	
	2018	2017	2018	2017
In Malaysia	7 - 148	7 - 148	148	148
Outside Malaysia	3 - 4	7	4	N/A

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**19. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Current:</b>				
Trade payables	1,266,388	258,510	106,615	87,168
Other payables:				
Accruals	2,467,249	1,513,760	939,139	538,078
Sundry payables	587,372	616,206	48,940	67,465
Due to director related companies	686,391	1,002,994	293,544	429,432
Due to subsidiary	-	-	24,519	1,814
	<u>3,741,012</u>	<u>3,132,960</u>	<u>1,306,142</u>	<u>1,036,789</u>
	<u>5,007,400</u>	<u>3,391,470</u>	<u>1,412,757</u>	<u>1,123,957</u>
<b>Non-current:</b>				
Provision for ex-gratia	610,574	523,105	223,790	187,735
Total trade and other payables	<u><u>5,617,974</u></u>	<u><u>3,914,575</u></u>	<u><u>1,636,547</u></u>	<u><u>1,311,692</u></u>

**(a) Trade payables**

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 days to 90 days (2017: 30 days to 90 days).

Included in trade payables of the Group and the Company are amounts of RM31,230 (2017: RM34,489) and RM15,487 (2017: RM14,021) respectively, due to Kluang Estate (1977) Sdn. Bhd., a company in which a director namely, Lee Chung-Shih Justin, has interest.

**(b) Amount due to director related companies**

These amounts represent non-trade amounts due to companies in which a director, Lee Chung-Shih Justin has interest. They are unsecured, interest free and are repayable on demand.

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
The Nyalas Rubber Estates Limited	677,160	995,723	290,212	426,739
Estate & Trust Agencies (1927) Limited	9,231	7,271	3,332	2,693
	<u>686,391</u>	<u>1,002,994</u>	<u>293,544</u>	<u>429,432</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**19. TRADE AND OTHER PAYABLES (cont'd)**

**(c) Sundry payables**

Sundry payables are normally settled on an average term of three months.

**(d) Amount due to subsidiary**

The amount due to subsidiary is unsecured, non-interest bearing and is repayment on demand.

**(e) Provision for ex-gratia**

These are payable upon retirement of eligible employees.

**20. DEFERRED TAX**

	<b>Group</b>			
	<b>Consolidated statement of financial position</b>		<b>Consolidated statement of profit or loss</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Accelerated depreciation for tax purposes	(698,000)	(722,000)	24,000	(669,000)
Revaluations of investment properties	(235,000)	(235,000)	-	(8,750)
Revaluations of freehold lands	(14,768,000)	(14,768,000)	-	-
Retirements benefit obligations	-	-	-	(7,000)
Other provision	298,000	260,000	38,000	125,000
<b>Deferred tax expense/(benefit)</b>			<b>62,000</b>	<b>(559,750)</b>
<b>Net deferred tax liabilities</b>	<b>(15,403,000)</b>	<b>(15,465,000)</b>		
Reflected in the statement of financial position as follows:				
Deferred tax assets	298,000	260,000		
Deferred tax liabilities	(15,701,000)	(15,725,000)		
<b>Deferred tax liabilities, net</b>	<b>(15,403,000)</b>	<b>(15,465,000)</b>		



**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**20. DEFERRED TAX (cont'd)**

	Company			
	Statement of financial position		Statement of profit or loss	
	2018 RM	2017 RM	2018 RM	2017 RM
Accelerated depreciation for tax purposes	(179,400)	(172,400)	(7,000)	-
Revaluations of freehold lands	(9,701,600)	(9,701,600)	-	-
Retirements benefit obligations	54,000	45,000	9,000	-
Other provision	3,000	5,000	(2,000)	-
<b>Deferred tax expense</b>			<u>-</u>	<u>-</u>
<b>Net deferred tax liabilities</b>	<u>(9,824,000)</u>	<u>(9,824,000)</u>		

**21. RETIREMENT BENEFITS**

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At beginning of year	50,766	41,846	8,769	7,705
Charged to profit or loss (Note 5)	10,207	12,174	885	1,064
Overprovided in prior year (Note 5)	-	(3,254)	-	-
Retirement benefits paid	(5,545)	-	(5,545)	-
At end of year	<u>55,428</u>	<u>50,766</u>	<u>4,109</u>	<u>8,769</u>

**22. SHARE CAPITAL**

	Number of shares		Amount	
	2018	2017	2018 RM	2017 RM
<b>Ordinary shares:</b>				
Issued and fully paid	<u>63,171,977</u>	<u>63,171,977</u>	<u>63,171,977</u>	<u>63,171,977</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**23. RESERVES**

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Share premium	(a)	5,215,747	5,215,747	5,215,747	5,215,747
Capital reserve	(b)	215,918,027	216,948,174	138,371,922	138,371,922
Fair value reserve	(c)	168,769,622	147,752,895	4,481,996	6,002,457
Foreign currency translation reserve	(d)	61,415,466	75,601,152	2,664,972	2,664,972
Cultivation and replacement reserve	(e)	4,861,552	4,861,552	2,307,150	2,307,150
Property and investment reserve	(f)	5,662,147	5,662,147	-	-
General reserve	(g)	17,411,900	17,411,900	10,000,000	10,000,000
Equity Interest in parent held by subsidiaries	(h)	(25,813,125)	(25,649,439)	-	-
		<u>453,441,336</u>	<u>447,804,128</u>	<u>163,041,787</u>	<u>164,562,248</u>

The components and movements of reserves are disclosed in the statements of changes in equity.

- (a) The share premium represents the excess of consideration received over the par value of ordinary shares issued.
- (b) Capital reserve consists of surplus from the disposal of properties and long term investments and surplus from revaluation of property, plant and equipment and was created for the purpose of future acquisition of property and investment.
- (c) Fair value reserve represents net gains or losses from the fair value adjustments of available- for-sale investments.
- (d) The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of entities whose functional currencies are different from that of the Group's presentation currency.
- (e) Cultivation and replacement reserves represent reserves created for the purpose of replanting oil palm and rubber crop.
- (f) Property and investment reserve represents reserves created for the purpose of acquisition of property and investment.
- (g) General reserve represents reserve transferred from retained profits and is distributable.
- (h) Equity interest in parent represents ordinary shares of the Company held by the subsidiaries.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**24. RETAINED EARNINGS**

The entire retained earnings of the Company as at 30 June 2018 and 30 June 2017 may be distributed as dividends under the single tier system.

**25. DIVIDENDS**

	<b>Amount</b>		<b>Net dividends per share</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>Sen</b>	<b>Sen</b>
<b>First and final</b>				
Tax exempt single-tier, on 63,171,977 ordinary shares, declared on 26 October 2016, paid on 20 December 2016	-	631,720	-	1.00
Tax exempt single tier, on 63,171,977 ordinary shares, declared on 25 October 2017, paid on 19 December 2017	631,720	-	1.00	-
	<u>631,720</u>	<u>631,720</u>	<u>1.00</u>	<u>1.00</u>

At the forthcoming Annual General Meeting, the following dividend in respect of the current financial year ended 30 June 2018 on 63,171,977 ordinary shares, will be proposed for shareholders' approval.

	<b>Amount</b>	<b>Net dividend</b>
	<b>RM</b>	<b>per share</b>
		<b>Sen</b>
First and final tax exempt single-tier dividend	631,720	1.00
	<u>631,720</u>	<u>1.00</u>

The financial statements for the current financial year do not reflect this proposed dividend. The dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2019.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**26. SIGNIFICANT RELATED PARTY TRANSACTIONS**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
With companies, in which a director, Lee Chung-Shih Justin, has an interest:				
Rental income from Ice Cold Beer Pte. Ltd.	946,764	957,154	-	-
Estate agency fee payable to Kluang Estates (1977) Sdn. Bhd.	297,768	261,275	128,415	113,996
Administration and support services payable to The Nyalas Rubber Estates Limited	1,770,989	2,045,817	758,911	875,409
Administration and support services payable to Estate & Trust Agencies (1927) Limited	414,136	366,470	135,490	117,964
Land lease rental payable to Kuala Pergau Rubber Plantations Plc	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed upon.

**27. COMMITMENTS**

**Operating lease commitment - as lessee**

The Group has entered into a non-cancellable operating lease agreement for a parcel of leasehold land. This lease has a remaining non-cancellable lease term of 20.75 years.

The future minimum lease payments payable under the non-cancellable operating lease contracted for as at the reporting date but not recognised as payables, are as follows:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
Not later than 1 year	250,000	250,000
Later than 1 year and not later than 5 years	4,937,500	5,187,500
	<u>5,187,500</u>	<u>5,437,500</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**27. COMMITMENTS (cont'd)**

**Operating lease commitment - as lessor**

The Group has entered into a non-cancellable operating lease agreement on its investment property. The lease has a remaining non-cancellable lease term of 18 months. The lease includes a clause to enable upward revision of the rental charges on an annual basis based on prevailing market conditions.

The future minimum lease payments receivable under the non-cancellable operating lease contracted for as at the reporting date but not recognised as receivables are as follows:

	<b>2018</b>	<b>Group</b>
	<b>RM</b>	<b>2017</b>
		<b>RM</b>
Not later than 1 year	1,033,555	1,672,843
Later than 1 year and not later than 5 years	461,604	1,576,893
	1,495,159	3,249,736

**28. FAIR VALUE MEASUREMENT**

**(a) Fair value measurement hierarchy**

The following table provides the fair value measurement hierarchy of the Group's and Company's assets:

	Quoted price in active markets (Level 1) RM	Significant observable inputs (Level 2) RM	Significant unobservable inputs (Level 3) RM	Total RM
<b>At 30 June 2018</b>				
<b>Assets measured at fair value</b>				
Available-for-sale investments	426,592,734	41,311,020	-	467,903,754
Investment in precious metal	20,302,475	-	-	20,302,475
Freehold land	-	-	297,918,500	297,918,500
Investment properties	-	-	65,009,836	65,009,836
	446,895,209	41,311,020	362,928,336	851,134,565
<b>At 30 June 2017</b>				
<b>Assets measured at fair value</b>				
Available-for-sale investments	391,197,985	40,281,828	-	431,479,813
Investment in precious metal	21,475,020	-	-	21,475,020
Freehold land	-	-	297,918,500	297,918,500
Investment properties	-	-	68,594,291	68,594,291
	412,673,005	40,281,828	366,512,791	819,467,624

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**28. FAIR VALUE MEASUREMENT (cont'd)**

**(a) Fair value measurement hierarchy (cont'd)**

<b>Company</b>	<b>Quoted price in active markets (Level 1) RM</b>	<b>Significant observable inputs (Level 2) RM</b>	<b>Significant unobservable inputs (Level 3) RM</b>	<b>Total RM</b>
<b>At 30 June 2018</b>				
<b>Assets measured at fair value</b>				
Available-for-sale investments	4,483,729	-	-	4,483,729
Freehold land	-	-	195,918,500	195,918,500
	<u>4,483,729</u>	<u>-</u>	<u>195,918,500</u>	<u>200,402,229</u>
<b>At 30 June 2017</b>				
<b>Assets measured at fair value</b>				
Available-for-sale investments	5,873,998	-	-	5,873,998
Freehold land	-	-	195,918,500	195,918,500
	<u>5,873,998</u>	<u>-</u>	<u>195,918,500</u>	<u>201,792,498</u>

During the reporting year ended 30 June 2018 and 30 June 2017, there were no transfers between the various levels of the fair value measurement hierarchy.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**28. FAIR VALUE MEASUREMENT (cont'd)**

**(a) Fair value measurement hierarchy (cont'd)**

(i) Information about significant unobservable inputs used in Level 3 fair value measurements:

Description	Fair value RM	Valuation techniques	Unobservable inputs	Range (adjusted RM/psf)
<b>As at 30 June 2018</b>				
Investment properties				
- Residential	35,980,135	Comparable approach	Yield adjustments based on assumptions*	6,296 to 11,884
- Commercial Freehold land	24,559,700			8,844 to 22,749
- Agricultural	<u>4,470,001</u>			13.22 to 15.00
Total investment properties	<u><u>65,009,836</u></u>			
Freehold land - Agricultural	297,918,500	Comparable approach	Yield adjustments based on assumptions*	0.48 to 4.47
<b>As at 30 June 2017</b>				
Investment properties				
- Residential	38,224,969	Comparable approach	Yield adjustments based on assumptions*	8,279 to 12,061
- Commercial Freehold land	25,899,321			9,196 to 9,636
- Agricultural	<u>4,470,001</u>			13.22 to 15.00
Total investment properties	<u><u>68,594,291</u></u>			
Freehold land - Agricultural	297,918,500	Comparable approach	Yield adjustments based on assumptions*	0.48 to 4.47

\* The yield adjustments are made for any difference in the nature, location or condition of the specific property.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**28. FAIR VALUE MEASUREMENT (cont'd)**

**(a) Fair value measurement hierarchy (cont'd)**

(ii) Movements in Level 3 assets and liabilities measured at fair value

	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<b>Investment properties</b>		
Opening balance	68,594,291	64,447,068
Net (loss)/gain from fair value adjustment	(212,011)	2,128,891
Written off	-	(230,000)
Exchange differences	(3,372,444)	2,248,332
	65,009,836	68,594,291
<b>Freehold land</b>		
Opening and closing balance	297,918,500	297,918,500

(iii) Valuation policies and procedures

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

**(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

	<b>Note</b>
Trade and other receivables	17
Trade and other payables	19

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 28. FAIR VALUE MEASUREMENT (cont'd)

#### (c) Determination of fair values

##### Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

##### Precious metal

Fair value of precious metal is determined by reference to its average bid spot price at the reporting date.

##### Unquoted equity instruments and redeemable preference shares

The unquoted equity instruments and redeemable preference shares have been valued based on the net assets attributable to each share.

### 29. 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, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

#### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arise primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis to minimise the Group's exposure to bad debts.

##### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 17.

##### Credit risk concentration profile

At the reporting date, approximately 39% (2017: 45%) of the Company's trade and other receivables was due from its subsidiary, Devon Worldwide Limited.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**

**(b) Liquidity risk**

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through diverse sources of committed and uncommitted credit facilities from various banks.

In the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted payments.

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade and other payables				
- On demand or within 1 year	5,007,400	3,391,470	1,412,757	1,123,957
- More than 1 year	610,574	523,105	223,790	187,735
	5,617,974	3,914,575	1,636,547	1,311,692

**(c) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from its investments and short term deposits with licensed banks that are denominated in a currency other than the respective functional currencies of Group's entities, primarily in RM, United States Dollar ("USD") and Singapore Dollar ("SGD"). The foreign currencies in which these transactions are denominated are mainly RM, SGD and British Pound ("£").

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances amounted to RM238,562,706 (2017: RM234,859,896) respectively.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the SGD, £ and USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		2018 RM	2017 RM
SGD/RM	- Strengthened 5%	1,735,000	1,443,000
	- Weakened 5%	(1,735,000)	(1,443,000)
SGD/USD	- Strengthened 5%	6,398,000	6,696,000
	- Weakened 5%	(6,398,000)	(6,696,000)
£/USD	- Strengthened 5%	48,000	30,000
	- Weakened 5%	(48,000)	(30,000)
RM/SGD	- Strengthened 5%	124,000	214,000
	- Weakened 5%	(124,000)	(214,000)

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**

**(d) Market price risk**

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market price (other than interest or exchange rate).

The Group and the Company are exposed to equity price risk arising from its investments in quoted equity instruments on SGX-ST in Singapore and gold bullion in Australia. These instruments are classified as available-for-sale assets.

Sensitivity analysis for equity price risk

At the reporting date, if the STI in Singapore and the metal price in Australia were to fluctuate by 5% with all other variables held constant, the effects on other comprehensive income for the Group and the Company would have been as follows:

	Increase/(decrease) in profit or loss			
	2018 RM	2017 RM	2018 RM	2017 RM
Quoted shares in Singapore				
- increased by 5%	21,330,000	19,560,000	224,000	294,000
- decreased by 5%	<u>(21,330,000)</u>	<u>(19,560,000)</u>	<u>(224,000)</u>	<u>(294,000)</u>
Precious metal				
- increased by 5%	1,015,000	1,074,000	114,000	120,000
- decreased by 5%	<u>(1,015,000)</u>	<u>(1,074,000)</u>	<u>(114,000)</u>	<u>(120,000)</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**30. CATEGORIES OF FINANCIAL INSTRUMENTS**

Financial instruments of the Group and the Company as at 30 June 2018 and 30 June 2017 by classes are as follows:

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>(a) Available-for-sale financial assets</b>					
Available-for-sale investments	15	467,903,754	431,479,813	4,483,729	5,873,998
<b>(b) Loans and receivables</b>					
Trade and other receivables	17	2,008,515	1,379,878	783,630	713,790
Cash and bank balances	18	265,423,000	270,454,680	27,257,525	26,252,843
		<u>267,431,515</u>	<u>271,834,558</u>	<u>28,041,155</u>	<u>26,966,633</u>
<b>(c) Financial liabilities measured at amortised cost</b>					
Trade and other payables	19	5,617,974	3,914,575	1,636,547	1,311,692

**31. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains 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 30 June 2018 and 30 June 2017.

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**32. SEGMENT INFORMATION**

**(a) Business segments**

For management purposes, the Group is organised into business units based on their sources of income, and has two reportable operating segments as follows:

- (i) Plantation - cultivation of oil palm
- (ii) Investments - long term portfolio investment in securities, deposits with banks and investment properties

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. Group income taxes are managed on a group basis and are not allocated to operating segments.

	<b>Plantation</b>		<b>Investments</b>		<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Revenue</b>						
External	14,064,736	12,900,910	15,040,189	12,392,343	29,104,925	25,293,253
<b>Result</b>						
Segment results	7,286,330	6,982,640	13,652,558	16,913,647	20,938,888	23,896,287
Foreign exchange gain/(loss)	6,014	(27,869)	102,604	(4,125,488)	108,618	(4,153,357)
Unallocated corporate expenses					(7,570,672)	(10,436,640)
Profits from operations					13,476,834	9,306,290
Share of results of associates	-	-	958,803	(3,555,586)	958,803	(3,555,586)
Income tax expense					(689,089)	(1,201,008)
Profit net of tax					13,746,548	4,549,696
<b>Assets</b>						
Segment assets	372,013,898	372,715,635	777,517,887	742,607,064	1,149,531,785	1,115,322,699
Investments in associates			102,914,850	105,605,686	102,914,850	105,605,686
Unallocated assets					162,404	602,154
Consolidated total assets					1,252,609,039	1,221,530,539
<b>Liabilities</b>						
Segment liabilities	16,752,312	15,875,979	747,275	775,598	17,499,587	16,651,577
Unallocated liabilities					4,096,391	3,213,619
					21,595,978	19,865,196

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**32. SEGMENT INFORMATION (cont'd)**

**(a) Business segments (cont'd)**

	Plantation		Investments		Consolidated	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
<b>Other information</b>						
Depreciation	511,164	400,146	-	-	511,164	400,146
Fair value (loss)/gain on investment properties	-	-	(212,011)	2,128,891	(212,011)	2,128,891
Property, plant and equipment written off	103,065	2,337	-	-	103,065	2,337
Impairment loss on investments	-	-	526,271	6,821,181	526,271	6,821,181
Unrealised foreign exchange (loss)/gain	(731,533)	98,661	847,497	(4,223,887)	115,964	(4,125,226)

**(b) Geographical segments**

The Group's plantation activity is mainly in Malaysia whilst the investment activities are in six geographical areas of the world.

	Total revenue from external customers		Segment assets	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	14,962,161	14,264,644	397,199,484	393,620,236
Singapore	13,456,356	10,060,310	653,410,406	621,560,872
Hong Kong	-	-	421,860	15,348
United Kingdom	686,408	561,081	41,559,774	45,224,709
Mauritius	-	407,218	105,868,047	108,046,292
Cayman Islands	-	-	20,435,222	31,451,719
Australia	-	-	33,714,246	21,611,363
	<u>29,104,925</u>	<u>25,293,253</u>	<u>1,252,609,039</u>	<u>1,221,530,539</u>

Although no significant revenue was generated from investment in available-for-sales assets and investment properties, the fair value changes recorded on those investments amounted to a gain of RM49,620,581 (2017: gain of RM59,070,561).

**33. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE**

The financial statements for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 16 October 2018.

**THREE YEARS COMPARATIVE FIGURES**

<b>Year ended 30 June</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
FFB Production			
- Kluang Estate (MT)	9,048	9,268	11,431
FFB Net average price			
- Kluang Estate (RM/MT)	483	636	552
Mature Acreage (>3Y) at 30 June			
- Kluang Estate (Acre)	1,228	1,220	1,406
Immature Acreage (0-3Y) at 30 June			
- Kluang Estate (Acre)	346	354	168
FFB Yield – Average per mature hectare			
- Kluang Estate (MT/hectare)	18	18	20
Profit/(Loss) before Taxation & Exceptional Items (RM'000)	5,413	5,751	14,436
Taxation (RM'000)	(350)	(1,201)	(689)
Profit/(Loss) (RM'000)	5,062	4,550	13,747
Dividend % Shareholder Capital	1.0	1.0	1.0
Net cost of dividend (RM'000)	632	632	632

## STATEMENT OF SHAREHOLDINGS

### ANALYSIS OF SHAREHOLDINGS AS AT 1 OCTOBER 2018

Total number of issued shares	:	63,171,977
Class of Shares	:	Ordinary shares
Voting Sights	:	One vote per ordinary share
No. of Shareholders	:	1,283

### DISTIBUTION OF SHAREHOLDINGS

Range of Shares	No. of shareholders	Percentage (%)	No. of Shares	Percentage (%)
Less than 100	41	3.20	1,483	0.00
100 to 1,000	307	23.93	233,405	0.37
1,001 to 10,000	653	50.90	2,514,021	3.98
10,001 to 100,000	237	18.47	7,375,295	11.67
100,001 to less than 5% of issued shares	42	3.27	15,309,713	24.24
5% and above of issued shares	3	0.23	37,738,060	59.74
<b>Total</b>	<b>1,283</b>	<b>100.00</b>	<b>63,171,977</b>	<b>100.00</b>

### THIRTY LARGEST SHAREHOLDERS

No.	Name of shareholders	Number of shares	%
1.	THE NYALAS RUBBER ESTATES LIMITED	26,692,002	42.25
2.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	7,207,968	11.41
3.	SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD	3,838,090	6.08
4.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	2,315,841	3.67
5.	KEY DEVELOPMENT SDN.BERHAD	1,733,644	2.74
6.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LID (A/C CLIENTS)	995,388	1.58
7.	KUCHAI DEVELOPMENT BERHAD	959,522	1.52
8.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. LIM & TAN SECURITIES PTE LTD FOR CHONG YONG WAH	745,089	1.18
9.	KEY DEVELOPMENT SDN. BERHAD	670,599	1.06
10.	AMSEC NOMINEES (ASING) SDN BHD KGI SECURITIES (SINGAPORE) PTE. LTD. FOR LEE THOR SENG (1635)	505,348	0.80



## STATEMENT OF SHAREHOLDINGS (cont'd)

### THIRTY LARGEST SHAREHOLDERS (cont'd)

No.	Name of shareholders	Number of shares	Percentage of shares
11.	YEOW TENG TAK	496,819	0.79
12.	WONG PENG YAN BENJAMIN @ PENG YAN WONG	450,000	0.71
13.	CHONG YEAN FONG	443,223	0.70
14.	YEOW WEE HONG	431,785	0.68
15.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN KIAM HSUNG	379,011	0.60
16.	WONG CECIL VIVIAN RICHARD	300,000	0.47
17.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO MENG HAI	282,526	0.45
18.	CHAN KIM SENDIRIAN BERHAD	278,261	0.44
19.	GAN TONG HONG	241,906	0.38
20.	PM NOMINEES (TEMPATAN) SDN BHD MALPAC MANAGEMENT SDN BHD FOR OH KIM HOE	234,976	0.37
21.	PANG BOON SENG	225,600	0.36
22.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	205,273	0.32
23.	LOH KAH WAI	200,500	0.32
24.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR-CREDIT SUISSE (SG-BR-TST-ASING)	186,500	0.30
25.	YEO KIM SOON	185,900	0.29
26.	LAI PHIN KHONG	182,270	0.29
27.	YEO POH NOI CAROLINE	180,000	0.28
28.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR KHOO HYE TIN	178,000	0.28
29.	YEO KHEE HUAT	172,800	0.27
30.	LOH KAH WAI	167,700	0.27

### LIST OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct	Interest in Shares		
		%	Indirect	%
The Nyalas Rubber Estates Limited	26,692,002	42.25	4,989,516 <sup>(a)</sup>	7.90
Sungei Bagan Rubber Company (Malaya) Berhad	3,838,090	6.08	-	-
Kuchai Development Berhad	959,522	1.52	3,838,090 <sup>(b)</sup>	6.08
Lee Thor Seng	505,348	0.80	31,681,518 <sup>(c)</sup>	50.15
Lee Chung-Shih Justin	31,984	0.05	31,681,518 <sup>(c)</sup>	50.15
Lee Yung-Shih Colin	31,984	0.05	31,681,518 <sup>(c)</sup>	50.15

*Note:*

- <sup>(a)</sup> Deemed interested by virtue of its substantial interest in Sungei Bagan Rubber Company (Malaya) Berhad, Kuchai Development Berhad and Estate & Trust Agencies (1927) Limited.
- <sup>(b)</sup> Deemed interested by virtue of its substantial interest in Sungei Bagan Rubber Company (Malaya) Berhad.
- <sup>(c)</sup> Deemed interested by virtue of their substantial interest in The Nyalas Rubber Estates Limited, Sungei Bagan Rubber Company (Malaya) Berhad, Kuchai Development Berhad and Estate & Trust Agencies (1927) Limited.

### DIRECTORS' INTEREST IN SHARES

No. Name of Directors	Direct	Interest in Shares		
		%	Indirect	%
1. Lee Chung-Shih Justin	31,984	0.05	31,681,518 <sup>(a)</sup>	50.15
2. Lee Soo Hoon	-	-	-	-
3. Tay Beng Chai	-	-	-	-
4. Cheong Mun Hong	-	-	-	-
5. Balaraman A/L Annamaly	1,066	0.00	-	-
6. Chew Khat Khiam Albert	-	-	-	-

- <sup>(a)</sup> Deemed interested by virtue of his substantial interest in The Nyalas Rubber Estates Limited, Sungei Bagan Rubber Company (Malaya) Berhad, Kuchai Development Berhad and Estate & Trust Agencies (1927) Limited.

### LIST OF PROPERTIES

The details of landed properties owned by the Company as at 30 June 2018 are as follows:

Location	Description	Tenure	Land Area	Term	Net Carrying Amount/ Fair Value (RM)	Acquisition(A)/ Revaluation(R) Date
Lot 838, 1219 and 2723 District of Kluang, Johor	Oil palm	Freehold	1,596 acres*	-	195,918,500	1 January 2015 (R)

\* Land Area as at 30 June 2018

### PLANTED AREA AGE PROFILE

The Age Profile of the Company's Planted Area as at 30 June 2018 are as follows:

Kluang Estate Year Planted	Age	Acre	%
1993	25	129.00	8%
1995	23	103.00	7%
1996	22	181.00	12%
2004	14	108.00	7%
2005	13	83.00	5%
2007	11	126.00	8%
2009	9	143.00	9%
2010	8	116.00	7%
2011	7	71.00	5%
2013	5	160.00	10%
2014	4	185.61	12%
2017	1	168.00	11%
<b>TOTAL</b>	<b>11</b>	<b>1,573.61</b>	<b>100%</b>

Note: Total Age is the Weighted Average Age

**KLUANG RUBBER COMPANY (MALAYA) BERHAD (3441-K)**  
(INCORPORATED IN MALAYSIA)

A N N U A L R E P O R T 2 0 1 8

**FORM OF PROXY**

<b>NO. OF SHARES HELD</b>	<b>CDS ACCOUNT NO.</b>

I/We.....  
of.....  
being a Member/Members of KLUANG RUBBER COMPANY (MALAYA) BERHAD, hereby appoint  
.....(NRIC/PassportNo.).....  
of.....  
or failing him/her.....(NRIC/Passport No.).....  
of.....

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Fifty-Ninth Annual General Meeting of the Company to be held at Ballroom 3, DoubleTree by Hilton Johor Bahru, Menara Landmark, 12 Jalan Ngee Heng, Bandar Johor Bahru, 80000 Johor Bahru, Johor, Malaysia on Thursday, 29 November 2018 at 12:00 p.m. and at any adjournment thereof.

Please indicate with a cross ("X") in the space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.

ITEM	AGENDA	RESOLUTION	*FOR	*AGAINST
<b>ORDINARY BUSINESS</b>				
1	To declare and approve payment of a Single Tier First and Final Dividend of 1 sen per share.	1		
2	To approve the payment of Directors Fees and Benefits for the financial year ending 30 June 2019.	2		
3	To re-elect the following Directors who retire pursuant to Clause 22.4 of the Company's Constitution:			
	(a) Mr. Cheong Mun Hong	3		
	(b) Mr. Balaraman A/L Annamaly	4		
4	To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration.	5		
<b>SPECIAL BUSINESS</b>				
5	To approve the continuation of terms of office of Mr Lee Soo Hoon as Independent Non-Executive Director.	6		
6	To authorise the Directors to Allot Shares pursuant to Section 75 of the Companies Act 2016.	7		
7	Proposed Shareholders' Mandate for Share Buy-Back Authority.	8		
8	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Kluang Estates (1977) Sdn. Bhd.	9		
9	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with The Nyalas Rubber Estates Limited.	10		
10	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Estate & Trust Agencies (1927) Limited.	11		

Dated this.....day of..... 2018.

*NOTE: For appointment of 2 proxies, percentage of shareholdings to be represented by the proxies:-*

	No. of Shares	Percentage (%)
Proxy 1		
Proxy 2		

Signature / Common Seal of Member  
Contact No.

**Notes:**

- For the purpose of determining members' eligibility to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd, in accordance with Clause 19.6 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositor as at 21 November 2018. Only members whose names appear therein shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on his/her behalf.
- A member entitled to attend and vote at the meeting may appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company and there shall be no restriction as to the qualification of the proxy. Where a member appoints more than 1 proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
- In the case of a corporation, the proxy should be executed under its Common Seal or under the hand of the officer of attorney of the corporation duly authorised in writing on its behalf.
- Where a member is an authorized 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 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 its holds.
- The proxy form and the Power of Attorney or other authority (if any) under which it is signed, or notary certified copy thereof must be lodged at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 24 hours before the time of the meeting.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Fifty-Ninth Annual General Meeting dated 30 October 2018.

Fold this flap for sealing

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Then fold here

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**Affix  
Stamp  
Here**

The Poll Administrator  
**KLUANG RUBBER COMPANY (MALAYA) BERHAD (3441-K)**  
c/o BOARDROOM CORPORATE SERVICES (KL) SDN BHD (3775-X)  
Lot 6.05, Level 6, KPMG Tower,  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan

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