TSH RESOURCES BERHAD
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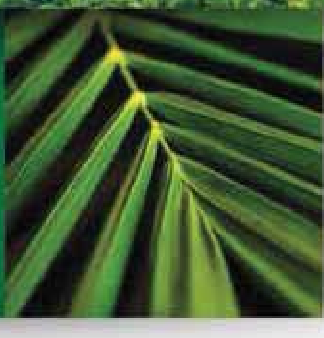

Annual Report 2017

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Eighth Annual General Meeting ("AGM") of the Company will be held at Ballroom 2, LG Level, Eastin Hotel, 13, Section 16/11, Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan on 24 May 2018 at 10.00 am to transact the following businesses:-

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.	**Please refer to Explanatory Note 1**
2.	To declare a first and final single tier dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2017.	**Resolution 1**
3.	To approve payment of Directors' fees and benefits of RM2,168,475 for the financial year ended 31 December 2017.	**Resolution 2**
4.	To approve payment of Directors' benefits (excluding Directors' fees) of up to an aggregate amount of RM1,610,000 from 1 January 2018 until the next AGM of the Company in 2019.	**Resolution 3**
5.	To re-elect Selina binti Yeop Junior @ Lope, who is retiring by rotation in accordance with Article 95 of the Company's Articles of Association, and who being eligible, offers herself for re-election.	**Resolution 4**
6.	To re-elect Tan Aik Kiong, who is retiring by rotation in accordance with Article 95 of the Company's Articles of Association, and who being eligible, offers himself for re-election.	**Resolution 5**
7.	To re-elect Lim Fook Hin, who is retiring by rotation in accordance with Article 95 of the Company's Articles of Association, and who being eligible, offers himself for re-election.	**Resolution 6**
8.	To re-appoint Messrs BDO as the Company's Auditors and to authorise Directors to fix their remuneration.	**Resolution 7**

As Special Business:

To consider and, if thought fit, pass the following resolutions:-

9. ORDINARY RESOLUTION 1
PROPOSED AUTHORITY TO ISSUE SHARES — **Resolution 8**

"**THAT**, subject always to the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered by the shareholders pursuant to Sections 75 and 76 of the Companies Act 2016 to issue new ordinary shares in the Company from time to time at such price, upon such terms and conditions, provided that the aggregate number of the new ordinary shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being **AND THAT** the Directors be and are empowered to obtain the approval from the Bursa Malaysia Securities Berhad ("Bursa Securities") for listing of and quotation for the additional new ordinary shares to be issued **AND THAT** such authority shall continue in force until the conclusion of the next AGM of the Company."

Notice of Annual General Meeting

10. ORDINARY RESOLUTION 2
PROPOSED RENEWAL OF THE AUTHORITY FOR SHARE BUY-BACK **Resolution 9**

"**THAT**, subject to the Companies Act 2016, the Bursa Securities Main Market Listing Requirements ("Listing Requirements"), the Company's Articles of Association and the approvals of other relevant authorities, the Company be and is hereby authorised to purchase and hold such number of ordinary shares in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company **AND THAT** the maximum amount of funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of RM260,609,000 based on the latest audited financial statements as at 31 December 2017.

THAT such authority shall commence immediately upon passing of this ordinary resolution until the conclusion of the next AGM of TSH unless earlier revoked or varied by ordinary resolution passed by the shareholders of TSH in a general meeting or upon the expiration of the period within which the next AGM is required by law to be held, whichever occurs first.

THAT the Directors be and are hereby authorised to take all steps necessary to implement, finalise and to give full effect to the Proposed Share Buy-Back **AND FURTHER THAT** authority be and is hereby given to the Directors to deal with the shares so purchased in their absolute discretion in any of the following manner:-

(i) cancel the shares so purchased; or
(ii) retain the shares so purchased as treasury shares and held by the Company; or
(iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or
(iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or
(v) transfer all or part of the treasury shares for purposes of an employees' share scheme, and/or as purchase consideration; or

in any other manner as prescribed by the Companies Act 2016, rules, regulations and guidelines pursuant to the Companies Act 2016, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authority for the time being in force."

Notice of Annual General Meeting

11. ORDINARY RESOLUTION 3
PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE **Resolution 10**

"**THAT** approval be and is hereby given for the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the day to day operations and on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Part B, Section 2.2 of the Circular dated 25 April 2018 ("Mandate").

THAT such Mandate shall commence upon passing of this ordinary resolution and continue in force until:-

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

(b) the expiration of the period within which the next AGM 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

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

whichever is the earlier.

THAT the Directors be and are hereby empowered to do all such acts and things (including executing all such documents as may be required) as they may be considered expedient or necessary to give full effect to the Mandate with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities."

12. SPECIAL RESOLUTION
PROPOSED ADOPTION OF A NEW COMPANY'S CONSTITUTION **Resolution 11**

"**THAT** approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Part C of the Circular dated 25 April 2018 be and is hereby adopted as the Company's Constitution **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

13. To transact any other business of which due notice shall have been given.

Notice of Annual General Meeting

Notice of Dividend Entitlement and Payment

NOTICE IS ALSO HEREBY GIVEN THAT the first and final single tier dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2017, if approved by the shareholders at the forthcoming Annual General Meeting will be paid on 20 June 2018 to depositors registered in the Record of Depositors at the close of business on 25 May 2018.

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

a) Shares transferred into the depositor's securities account before 4.00 pm on 25 May 2018 in respect of transfers; and
b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

CHOW YEEN LEE (MAICSA 7047480)
Company Secretary

Kuala Lumpur
25 April 2018

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 17 May 2018 be regarded as members and entitled to attend, speak and vote at the meeting.
2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the depositor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal and shall be deposited at the Registered Office of the Company at Level 10, Menara TSH, No. 8 Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur, not less than 48 hours before the time appointed for holding this meeting or adjourned meeting.
4. Where a member appoints two (2) or more proxies to attend the same meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy. If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit and if no names are inserted in the space for the name of proxy, the Chairman of the meeting will act as proxy.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. Pursuant to Paragraph 8.29A of Bursa Securities Main Market Listing Requirements, all resolutions set out in the Notice of Thirty-Eighth AGM will be put to vote on a poll.

Explanatory Notes:

1. The audited financial statements are meant for discussion only as it does not require shareholders' approval under the provision of Section 340(1)(a) of the Companies Act 2016. Hence, it will not be put for voting.
2. With reference to Section 131 of the Companies Act 2016, a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent.

   On 27 February 2018, the Board had considered the amount of dividend and decided to recommend the same for the shareholders' approval. The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made on 20 June 2018 in accordance with the requirements under Section 132(2) and (3) of the Companies Act 2016.
3. Resolution 2, the Company is seeking shareholders' approval for payment of Directors' fees totalling RM228,000 and benefits to the Directors totalling RM1,940,475.

   Details of the above are set out in Note 14 to the financial statements. The remuneration of each Director is set out in the Corporate Governance Report.

Notice of Annual General Meeting

4. Resolution 3, the benefits payable to eligible Non-Executive Directors comprise monthly allowance to the Chairman of the Company in recognition of his significant oversight and leadership roles in the Group, Board committee allowance, business travelling allowance, petrol allowance and other benefits-in-kind including company car and driver as well as other emoluments.

5. Resolution 8 is a renewal of the general mandate empowering the Directors of the Company pursuant to Sections 75 & 76 of the Companies Act 2016, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the general mandate does not exceed ten percent (10%) of the issued share capital of the Company for the time being. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

   The renewal of the general mandate will provide flexibility to the Company for any possible fund raising activities without the need to convene a separate general meeting to specifically approve such issuance of shares and thereby reducing administrative time and costs associated with the convening of such meeting. However, at this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

   As at the date of this notice, 25,000,000 ordinary shares were issued via private placement pursuant to Sections 75 & 76 of the Companies Act 2016 under the general mandate which was approved at the last AGM held on 25 May 2017 and which will lapse at the conclusion of the Thirty-Eighth AGM to be held on 24 May 2018. The proceeds raised totaling of RM41,250,000 have been fully utilised in the following manner:-

Utilisation of Proceeds	**RM'000**
1) Working Capital	41,213
2) Expenses for private placement exercise	37
TOTAL	**41,250**

6. For Resolutions 9 and 10, further information on the Proposed Renewal of the Authority for Share Buy-Back and Proposed Renewal of the Existing Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature are set out in the Circular dated 25 April 2018 which is sent out together with the Company's 2017 Abridged Annual Report.

7. For Resolution 11, the proposed Special Resolution if passed, will bring the Company's Constitution in line with the enforcement of the Companies Act 2016, Bursa Securities Main Market Listing Requirements and to enhance administrative efficiency. The proposed new Constitution is set out in Part C of the Circular dated 25 April 2018.

8. Datuk Jaswant Singh Kler who retires in accordance with Article 95 of the Company's Articles of Association has expressed his intention not to seek re-election as Director of the Company. Hence, he will retain office until the conclusion of the AGM.

Statement Accompanying Notice of Annual General Meeting

1. Details of persons who are standing for election as Directors

No individual is seeking election as a Director at the Thirty-Eighth Annual General Meeting of the Company.

2. Statement relating to general mandate for issue of securities

Please refer to Explanatory Note 5 of the Notice of Thirty-Eighth Annual General Meeting for information relating to general mandate for issue of securities.

5 Years
Financial Highlights

	Restated				
	2013	**2014**	**2015**	**2016**	**2017**
INCOME STATEMENT					
All figures in RM'000					
Revenue	1,015,603	1,071,045	799,530	872,304	1,073,507
Core profit before tax	144,302	178,381	108,428	130,187	181,145
Profit / (Loss) before tax	163,851	187,452	(85,788)	113,580	193,323
Net profit / (Loss) attributable to equity holders	150,535	138,767	(105,549)	57,875	114,978
BALANCE SHEET					
All figures in RM'000					
Share Capital	451,914	672,706	672,706	672,706	740,512
Shareholders' Equity	1,050,308	1,247,467	1,356,680	1,506,984	1,476,872
Total Assets	2,352,182	2,673,938	3,176,497	3,510,495	3,342,730
FINANCIAL INDICATORS *					
Earnings / (Loss) per share (sen)					
- Basic	11.54	10.31	(7.85)	4.30	8.43
- Diluted	11.54	10.31	(7.85)	4.30	8.43

* EPS & net assets are calculated taking into account the bonus issued in 2014.

Management Discussion & Analysis Statement 2017

PROFILE OF TSH GROUP

TSH Group is principally engaged in oil palm cultivation and processing of Fresh Fruit Bunches (FFB) into Crude Palm Oil (CPO) and Palm Kernel (PK). This business activity generally accounts for almost 90% of the Group's revenue. The Group's oil palm estates and palm oil mills are located in Sabah and parts of Kalimantan and Sumatera in Indonesia. As at 31 December 2017, it has approximately 100,000 hectares (ha) of plantation landbank of which approximately 42,000 ha are planted.

The Group's other business activities include the operations of biomass and biogas power plants in Sabah; industrial tree plantation at the Forest Management Unit in Ulu Tungud, Sandakan, Sabah; manufacturing and marketing of engineered hardwood flooring; and processing and marketing of cocoa butter primarily for the export market.

The Group has come a long way from its humble beginnings in the cocoa business. At the time it was listed on the Kuala Lumpur Stock Exchange in 1994, it had already established itself as a major player in the cocoa industry in Malaysia namely, being the single largest exporter of cocoa beans and products in the country. Not content to rest on its laurels, the Group further ventured into the oil palm industry in Sabah during the 1990s and subsequently in Kalimantan and Sumatera, Indonesia in the 2000s. As it expanded its oil palm hectarage, the Group also extended its value chain by setting up palm oil mills in the vicinity of some of its plantations. In 2007, the Group ventured further downstream into palm oil refinery and palm kernel crushing plants in Sabah, via a 50:50 joint ventures with a member of Wilmar International Group.

In the early 2000s, the Group also diversified into the palm bio-integration segment by setting up biomass power plants which use empty fruit bunches, and a biogas power plant which uses palm oil mill effluent to generate electricity and steam respectively. The Group's 14MW biomass cogeneration plant in Kunak is the first biomass power plant in the country that is connected to the grid. The biomass power plant has a renewable energy power purchase agreement with Sabah Electricity Sdn Bhd to supply up to 10MW of green electricity. The co-generation plant generates electricity and industrial steam from solid by-products of the mill.

Despite being a relatively latecomer to the oil palm industry compared to more established players, the Group has made great strides over the years to establish itself as an oil palm player of note in the region. The Group's aspiration is to continue to build on its achievements to generate sustainable growth and create value to all stakeholders.

Management Discussion & Analysis Statement 2017

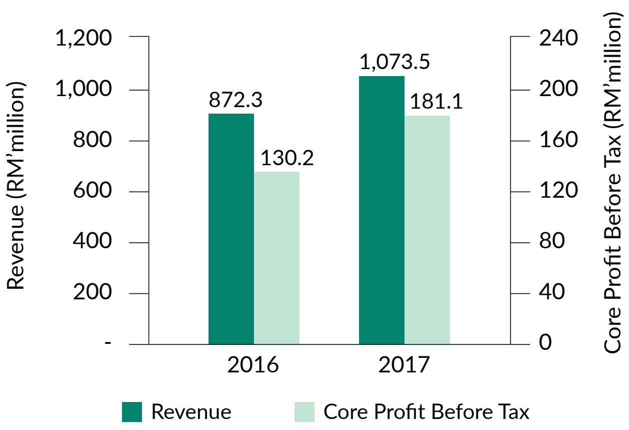
FINANCIAL HIGHLIGHTS

	2017 RM'000	2016 RM'000
Revenue	1,073,507	872,304
Profit before interest & tax	235,096	134,943
Core profit before tax	181,145	130,187
Pre-tax profit	193,323	113,580
Net profit	142,163	67,059
Net profit attributable to equity holders	114,978	57,875
Net cash generated from operations	203,667	131,539
Net gearing (net of cash)	0.81	0.84
Total Shareholder's fund	1,476,872	1,506,984

Revenue

The Group's revenue increased 23.1% to RM1,073.5 million from RM872.3 million registered in 2016 primarily due to higher average CPO price and increase in FFB production. Average CPO selling price achieved for 2017 was RM2,701 per metric tonne (mt) compared with RM2,454 per mt in 2016. As for FFB production, the Group registered 710,105 mt in 2017 compared with 595,821 mt in 2016.

Revenue & Core Profit Before Tax



Cost of Sales

Cost of sales for the year increased to RM692.7 million from RM560.4 million in tandem with the increase in revenue. Accordingly, the Group registered relatively similar gross profit margin at 35.5% and 35.8% for 2017 and 2016 respectively.

Core Profit and Profit Before Tax

Core profit before tax increased to RM181.1 million from RM130.2 million registered in the previous year in line with the higher revenue, partially offset by higher finance costs. Finance costs recognised in the profit or loss increased to RM41.8 million from RM21.4 million in 2016 as a result of a higher mature hectarage compared with previous year.

A foreign exchange gain of RM16.5 million was recognised compared to a foreign exchange loss of RM17.5 million in 2016. This was primarily due to the strengthening of the Ringgit against the US Dollar. This helped to further improve the profit before tax for 2017 to RM193.3 million from RM113.6 million registered in 2016.

Taxation

The tax charge for the year of RM51.2 million was higher than the statutory tax rate primarily due to expenses not deductible for tax purposes, deferred tax assets in respect of tax losses of subsidiaries not being recognised and under provision in previous years.

Management Discussion & Analysis Statement 2017

Shareholders' Fund

Notwithstanding the improvement in earnings, and the increase in share capital pursuant to shares issued as consideration in relation to the privatisation of Ekowood International Berhad as well as a private placement during the year, shareholders' fund declined to RM1,476.9 million from RM1,507.0 million in the previous year. This was due to a foreign currency translation loss of RM188.7 million in respect of the Group's net investment in foreign operations which are denominated in Indonesian Rupiah ("IDR"), as the IDR depreciated against the Ringgit as at the end of the financial year. The foreign currency translation adjustment is a non-cash item which will fluctuate from one period to another and is not reflective of our ongoing operations.

Liquidity and Capital Resources

Cash and cash equivalents of the Group increased to RM127.9 million as at 31 December 2017 from RM124.5 million as at 31 December 2016. The table below provides an overview of the Group's cash flows for 2017 and 2016.

	2017 RM'000	2016 RM'000
Net cash flows from/(used in):		
Operating activities	203,667	131,539
Investing activities	(125,991)	(174,862)
Financing activities	(63,622)	106,428
Net increase in cash and cash equivalents	14,054	63,105

a) Net cash generated from operating activities in 2017 was RM203.7 million compared with RM131.5 million generated in 2016. The increase of RM72.2 million was primarily attributable to the improvement in net cash flows in respect of operating performance and changes in working capital, partially offset by higher interest and income tax paid.

b) Net cash outflows from investing activities were primarily in connection with the development and immature upkeep costs of oil palm and rubber plantations as well as construction of a new palm oil mill in Sumatera. Net cash outflows from investing activities declined to RM126.0 million in 2017 from RM174.9 million in 2016 primarily due to lower oil palm plantation development and immature upkeep costs in 2017.

c) Financing activities of the Group recorded net cash outflows of RM63.6 million compared with net cash inflows of RM106.4 million in 2016 primarily due to a relatively higher total repayment sum of credit facilities vis a vis the total drawdown of credit facilities.

As presented in the statement of cash flows, the Group has positive cash flows from its business activities. Coupled with its cash resources namely its cash and cash equivalents and available lines of credit, the Group's business operations have sufficient funds available to meet their obligations as and when they fall due. The Management will continue to maintain a prudent approach in managing the Group's cash flows and capital resources to ensure it is sufficient to meet operating requirements and capital expenditures.

Gearing

As at 31 December 2017, the Group's net gearing ratio stood at 0.81 times compared with 0.84 times as at the previous year end. The improvement in gearing was a result of efforts to reduce total borrowings from RM1,530.2 million as at the previous financial year end to RM1,442.5 million as at 31 December 2017, despite being partially offset by the decline in total equity arising from foreign currency translation loss.

Management Discussion & Analysis Statement 2017

SEGMENT REVIEW & ANALYSIS

The Group has two broad categories of operating business segments namely, Palm Products and Others, with the former being the core business of the Group.

Palm Products Segment

The Palm Products segment encompasses the upstream oil palm cultivation and harvesting to processing of FFB in mills into CPO and PK.

As at 31 December 2017, the Group has a plantation landbank of 99,523 ha of which 42,056 ha has been planted, as well as 6 operating palm oil mills. The estates and palm oil mills are located in Sabah and parts of Kalimantan and Sumatera, Indonesia. A new palm oil mill in Sumatera started commercial run in early 2018 bringing the total number of mills operated by the Group to 7.

		2017 ha
Sabah	Matured	4,095
	Immature	2,102
	Unplanted	3,235
Indonesia	Matured	24,933
	Immature	10,926
	Unplanted	54,232
Sub-Total	Matured	29,028
	Immature	13,028
Total Planted		42,056
Total Unplanted		57,467
		99,523

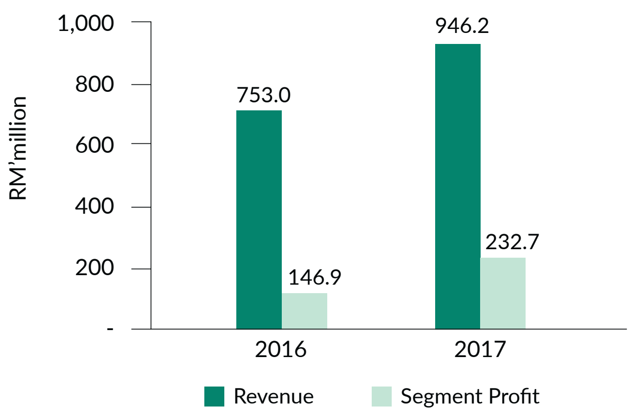
The maturity profile of the trees is favourable and spread out with a weighted average age of 8.5 years. This augurs well for the Group's FFB production in the coming years as more oil palm trees approach prime maturity and higher yielding ages.

In addition, the unplanted landbank of 57,467 ha provides further growth opportunities and enables the Group to sustain the plantation business for the long term.

The unplanted land area will be developed gradually and in a sustainable manner. In this regard, there will be minimal new planting in 2018. As a member of the Roundtable on Sustainable Palm Oil (RSPO), the Group is committed to adhering to the requirements set out in the New Planting Procedure (NPP) which includes protecting High Carbon Stock (HCS) areas within our concessions. The Group is in the process of studying the full extent of the HCS in its concessions, and will submit to RSPO a report detailing our assessment in every NPP submission.

Operational Review

Palm Products Segment



Management Discussion & Analysis Statement 2017

The Palm Products segment reported higher revenue of RM946.2 million for 2017 compared with RM753.0 million for the previous year. The segment revenue accounted for 88.1% of the Group's revenue for the year. In line with the higher revenue, the segment profit increased to RM232.7 million compared with RM146.9 million for the previous year. The improvement in performance was mainly due to higher average CPO and PK prices and increase in FFB production.

	2017	2016	Changes (%)
Production of FFB (mt)	710,105	595,821	19.2%
Average Selling Price/mt (RM)			
CPO	2,701	2,454	10.1%
PK	2,361	2,301	2.6%

Average selling prices of CPO and PK for 2017 increased by 10.1% and 2.6% to RM2,701 per mt and RM2,361 per mt respectively, whereas FFB production rose 19.2% to 710,105 mt following the recovery from the El Nino drought in 2016. Average FFB yield for Sabah improved to 26.36 mt per ha in 2017 compared with 24.47 mt per ha in 2016. FFB yield in Indonesia similarly improved to 24.15 mt per ha compared with 22.14 mt per ha achieved in 2016.

During the year, the Group operated 6 palm oil mills; 3 each in Sabah and Indonesia. FFB processed increased by 16.5% to 1,332,861 mt compared with 1,143,913 mt in 2016, helped by the improvement in FFB production during the year.

Others Segment

This segment comprises bio-integration business, wood products and cocoa products.

The bio-integration business essentially encompasses the operations of the Group's biomass and biogas power plants in Sabah. The Group owns and operates a 14 MW/HR biomass power plant and a 3 MW/HR biogas power plant in Sabah. The power generated can be for internal consumption or sold to Sabah Electricity Sdn. Bhd as all these power plants are connected to the grid. The biomass power plant utilises the biomass waste-fibres, kernel shells and empty fruit bunches as input materials to generate steam and electricity. The biogas plants generate electricity from methane gas captured from palm oil mill effluent tanks. Hence, the amount of electricity generated depends on the availability of the biomass input materials and methane gas which in turn is dependent on the quantity of FFB processed by our palm oil mills.

Ekowood International Berhad (EIB) Group is principally involved in manufacturing and marketing of engineered hardwood flooring. The wood flooring products are manufactured at EIB's plant in Gopeng, Perak. A greater part of sales is from the export market with its key markets being Australia, New Zealand, China, Europe and USA. In the local market, the Group also undertakes installation of the flooring, mainly for new built condominiums.

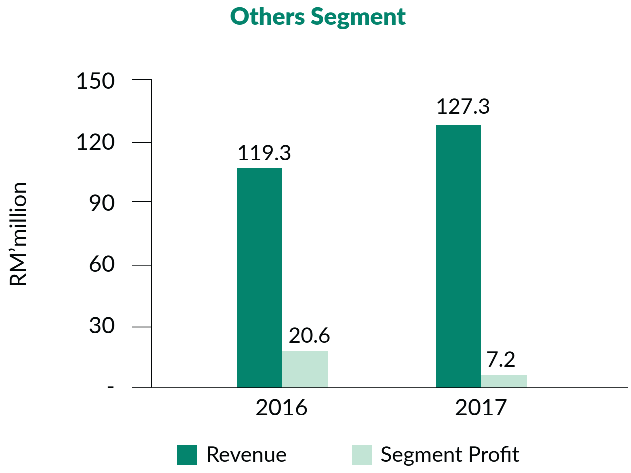
EIB was previously a 67.46% subsidiary of TSH and listed on the Main Market of Bursa Malaysia Securities Berhad. Pursuant to a privatisation undertaken by way of a members' scheme of arrangement completed on 14 April 2017, EIB is now a wholly-owned subsidiary of TSH.

The Group also manages a Forest Management Unit under a 100 year License Agreement with the Sabah Government. To date, about 12,000 ha of logged areas in the forest have been rehabilitated through planting and silviculture.

Having started from the cocoa business, the Group continues to operate a cocoa processing plant in Klang, Selangor. The plant produces cocoa butter which is mainly exported to the United States and Europe.

Management Discussion & Analysis Statement 2017

Operational Review



This segment reported higher revenue of RM127.3 million compared with RM119.3 million for the previous year as both the Engineered Hardwood Flooring and Cocoa divisions registered higher revenues during the year.

However, it reported lower segment profit of RM7.2 million compared with RM20.6 million in the previous year mainly due to lower contribution from the Bio-integration division coupled with impairment provision on inventories and plant and machineries.

The Management will continue to drive greater cost efficiency through inter alia streamlining of processes, effective working capital and procurement management and efficient plant maintenance practice.

OUTLOOK AND PROSPECTS

Being predominantly an oil palm industry player, the prospects of the TSH Group for 2018 will largely be dictated by drivers impacting palm oil prices and the FFB production. Palm oil prices are in turn influenced by a string of factors including the supply and demand of palm oil, weather patterns and the consequential effect on FFB yield, prices of substitute vegetable oils and crude oil, changes in taxation or import duty in respect of CPO and global economic conditions and developments.

As for the Group's crop production for 2018, barring unforeseen circumstances we anticipate to see further improvement due to better age profile as more oil palm trees reach optimum yield and with more planted areas coming into maturity.

The Group is optimistic on the long term prospect of the palm oil industry. Palm oil is one of the most versatile vegetable oil capable of being processed into a wide range of products. Accordingly, global population growth, higher per capita income and the widespread recognition of the many nutritional benefits of palm oil will continue to drive demand for palm products. Therefore, we remain positive on the prospect of the Group as we envisage the Palm Products segment, which is our core business, to continue to contribute favourably to the Group's financial performance over the long term. In this connection, to enhance long term business sustainability, Management will continue to drive productivity and efficiency improvement to reduce unit costs of production.

DIVIDEND

Subject to the approval of the shareholders at the forthcoming 38th Annual General Meeting of the Company, your Board of Directors had on 27 February 2018 proposed a first and final single tier dividend of 2.0 sen per ordinary share to be paid out of the Company's profit.

The proposed dividend payout is consistent with the Company's long term dividend payout policy of 20% - 30% of the profit. Such payments will depend upon a number of factors, including amongst others, the core earnings, other income, capital commitments, general financial conditions, distributable reserves and other factors to be considered by the Board.

Sustainability Statement

INTRODUCTION

Sustainability has always been an integral part of our way of doing business and a guiding principle in our decision making and development process. Over the years, TSH Group ("Group") has undertaken various efforts to improve our environmental initiatives. Our community programs have improved the livelihoods of the underprivileged wherever we operate. Accomplishments occurred in all areas: sustainable production, social accountability and sound environmental management.

This Sustainability Statement will outline our efforts at embedding sustainability throughout the Group in the economic, environmental and social spheres, including our efforts at improving our practices. We will highlight some of the outstanding achievements made throughout 2017 from our efforts to turn waste into energy to rehabilitating forests, to our sponsorship of materials to help local children improve their English.

Short-term goals

- Monitoring usage of water for all 7 palm oil mills
- Managing pesticide usage for oil palm estates
- Integrated pest management to be undertaken in all estates in Indonesia
- Sustainability Standard Operating Procedures ("SOP") and insertion of sustainability requirements inside all the Operational SOP

Long-term goals

- Roundtable on Sustainable Palm Oil ("RSPO") certification for all 7 mills and related estates within 5 years (Time-bound plan)
- Indonesia Sustainable Palm Oil ("ISPO") certification for all the Indonesian estates within 5 years

SUSTAINABILITY VISION

To be a regional plantation company committed to sustainability.

SUSTAINABILITY MISSION

To be a progressive plantation enterprise with emphasis on sustainable production, social accountability and sound environmental management.

Sustainability Statement

GOVERNANCE

To further demonstrate our commitment towards sustainability, the Group has set up a department specifically dedicated to managing sustainability issues with regard to our oil palm activities. Headed by the Head of Sustainability, the department pays particular attention to the principles, criteria and mandatory requirements under the ISPO and the RSPO certification regimes.

In addition, through the Group Managing Director, the Board delegates the responsibility of managing day-to-day operations in accordance with the standards for social and ethical practices that have been set out in the TSH Group Employee Handbook. Since we operate in different countries, our policies are to meet the rules, needs and cultural practices in these countries. However effective sustainability practices that the Group has honed can be applied to all operations everywhere in the world.

The Board of Directors ("Board") has set specific sustainability objectives and the timelines in which to achieve them such as the RSPO and ISPO certification of its mills and estates in Malaysia and Indonesia. To further commit the Company to these aims, the Board receives regular updates on the progress of these objectives.

Safety and health issues are managed by a Safety & Health Committee in the respective estates and mills. The Company also has in place an Audit Committee which oversees risk policies, profiles and registers and is assisted by the Internal Audit Department.

The Board is ultimately responsible for implementing TSH's Code of Ethics which is applicable to Directors, officers and employees of the Group. The Corporate Disclosure Policy and Procedures outlines the policies and processes for communications with shareholders, analysts as well as investors to ensure effectiveness and compliance with the applicable laws, rules and regulations.

Risk Management

The Group focuses on managing two types of risk, strategic and operational. Strategic risks are caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. These are dealt with by the Board and the Group Managing Director.

Operational risks are inherent in the activities within the different business units or subsidiaries of the Group. These risks are the responsibility of the various Business Units or Department heads. However, the Group impresses on all its employees that everyone at TSH is responsible for good risk management.

Sustainability Statement

KEY RISKS IN 2017

Price fluctuations

Crude Palm Oil ("CPO") prices tend to be cyclical and fluctuate in accordance with the global supply and demand of major oils and fats; and edible oil prices such as soybean, sunflower and rapeseed oil which are substitutes for palm oil.

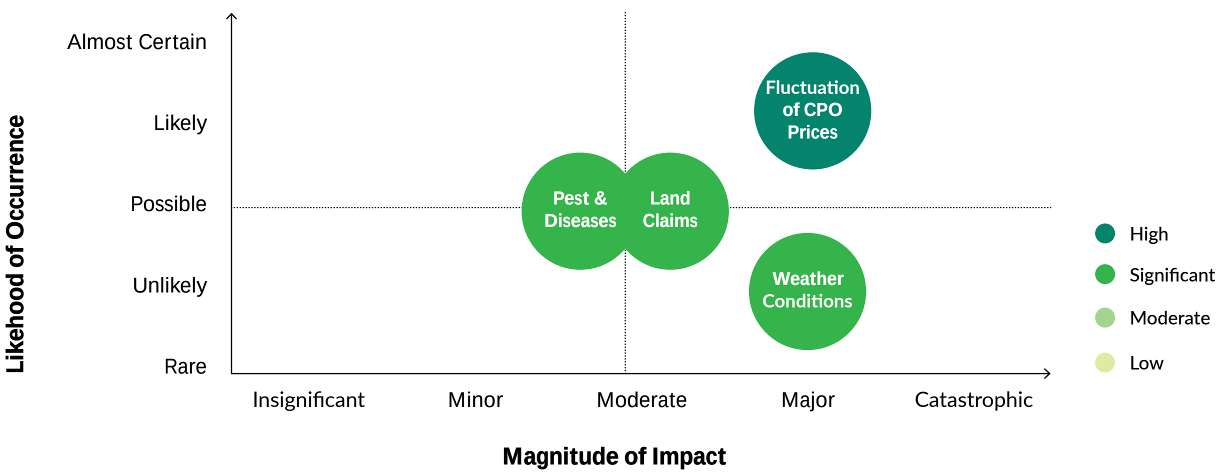
Although the movement in CPO prices is beyond TSH's control, TSH mitigates the adverse effect of fluctuation in CPO and palm kernel prices by adopting a prudent management approach in the sale and marketing of its products. For example, TSH enters into forward contracts with its major customers who have fixed pricing to hedge against fluctuations in CPO prices. In addition, the management constantly analyses and monitors the global demand patterns and trends for oils and fats, particularly palm oil to make prompt and informed decisions regarding its CPO sales.

Weather Conditions

Extreme weather, including both drought (El Nino) and prolonged rainy seasons (La Nina) may adversely impact estate operations. Of the two, the impact of low or delayed rainfall on oilseeds is more immediate and severe. Drier weather brought on by El Nino causes moisture stress in palms. On the other hand, prolonged rainy seasons may also affect the progress and effectiveness of field maintenance programs as well as hamper harvesting and logistic activities.

TSH has implemented several measures to alleviate problems associated with unfavorable weather conditions i.e. floods and dry weather. For example, to mitigate issues arising from floods, TSH has adopted measures to construct bunds and water gates in low lying areas. During the dry weather, fire patrols are constantly on guard for any potential fire hazards and all palm oil mills and housing quarters are equipped with fire fighting equipment as an emergency safety measure. Water conservation in the form of silt pitting has also been implemented.

Residual Risk Profile



Sustainability Statement

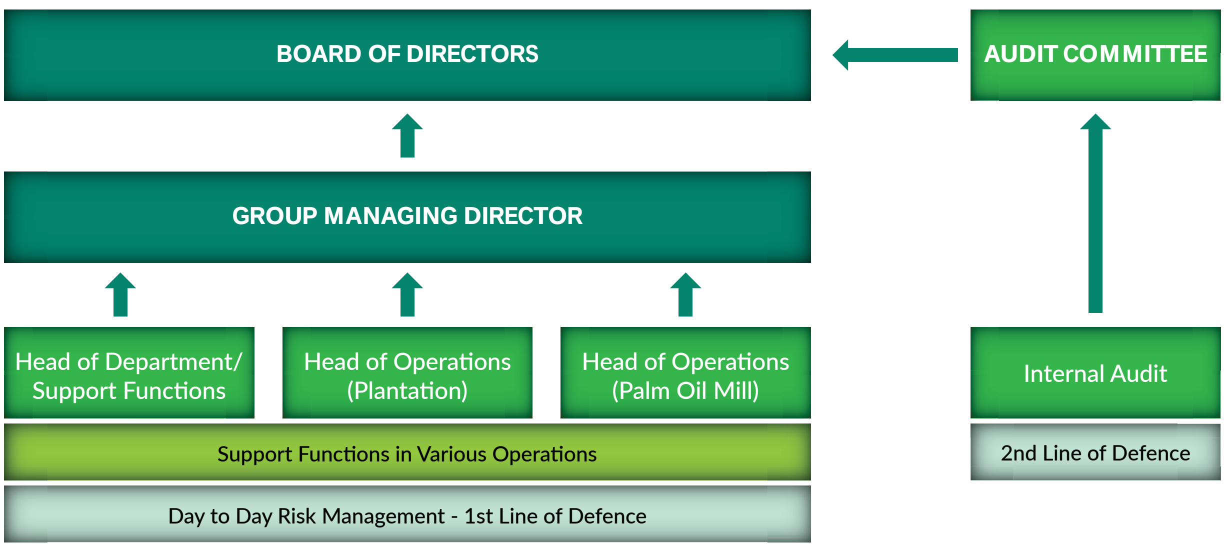
Pests and Diseases

Preventive measures adopted by TSH to eliminate outbreak of pests and diseases include planting of beneficial plants to attract predators of insect pests, use of baits and natural predators of rodents, such as barn owls. In addition, TSH also provides continuous education to its employees on the latest pest control methods, adopting and implementing good field hygiene and integrated pest management practices. Since the commencement of TSH's business operations, TSH has not experienced any outbreak of pest infection that has a significant impact on its daily operations.

Land claims in Indonesia

There are land issues in Indonesian estates due to overlapping land claims by local communities with customary land titles which delay and affect planting programmes.

TSH has taken the necessary steps and measures to ensure that it complies with all conditions relating to its land titles including conditions relating to the use of its land and native ownership of a certain percentage of the affected land. In addition, TSH also ensures that the conditions stipulated will not materially affect its business operations and financial conditions prior to any land acquisition exercise.



Sustainability Statement

Sustainability in Practice

The Company's sustainability initiatives are undertaken through a four-pronged approach that can be categorised as:

A) Sound environmental management

We promote sustainable forestry practices and the use of renewable resources. Our efforts are underlined by an ongoing commitment towards certification and standards. TSH complies with the Environmental Impact Assessment ("EIA") requirements of projects and other regulations on safety and the environment. We are also committed towards nurturing our supply chain.

B) Human resources development

TSH is committed to treating all employees equally and pays them fairly according to their skills, performance and local market conditions. The Group also provides periodic training and opportunities for professional development. We also have zero tolerance for harassment of any kind in the workplace.

C) Occupational Safety & Health ("OSH")

TSH sets up a Safety & Health Committee and an Emergency Response Team ("ERT") for each operating unit to further embed a safety culture within the company. Employees are continuously trained and updated with safety procedures while business operations are subjected to regular safety and health reviews.

D) Community

TSH funds and supports a wide range of welfare, educational and health programmes to help the underprivileged. The Company also provides research grants and, in line with its policy, works with wildlife conservation bodies to protect rare, threatened or endangered species.

Economic

- Board Charter
- Code of Ethics
- Corporate Disclosure Policy and Procedures
- TSH Corporate Governance Guidelines
- Transparency Policy Statement
- Whistle-Blowing Policy
- Sustainability Information Request Procedure

Environmental

- Environment Policy Statement

Social

- Child Labour Policy Statement
- Equal Opportunity & Discrimination Policy Statement
- Freedom of Association Policy Statement
- Good Agricultural Practices ("GAP")
- Human Rights & Responsible Business Practices Policy
- Reproductive Rights Policy Statement
- Safety and Health Policy Statement
- Sexual Harassment Policy Statement
- TSH Group Employee Handbook

Sustainability Statement

SCOPE

This Statement covers the Group's operations within Malaysia and Indonesia, encompassing estates, processing mills, power plants and forest management which accounted for about 90% of the Group's total operating revenue in 2017.

The Statement covers the period from 1 January to 31 December 2017 and follows the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements relating to Sustainability Statement in Annual Reports.

STAKEHOLDER ENGAGEMENT

TSH attaches considerable importance to being open and transparent. The Group recognises that transparency promotes accountability and ensures that matters pertaining to stakeholders are approached with an emphasis on openness, ethical conduct, as well as operational and economic responsibility.

The Group strives to conduct its business in an accessible and visible manner. The presupposition of transparency does not preclude the legitimate protection of information (including commercial information) whose release would invade personal privacy, breach of confidentiality or damage other genuinely compelling interests. However, it is the Company's aspiration to release information in formats that can be easily accessed, understood and analysed by all stakeholders.

TSH also aims to improve its long-term relationships. TSH's website provides easy access to the latest information on the Group's financials and operations as well as the direction of the Group. Email links are included for stakeholders to provide feedback or enquiries.

Also, stakeholder meetings are conducted at the estate level and during the assessment process for the Social Impact Assessment ("SIA"), EIA and High Conservation Value ("HCV") reports. A stakeholder list is also available for all established estates in Indonesia.

At the corporate level, the secretarial department spearheads compliance with all regulatory requirements and communication with regulatory bodies. Constant two-way communication is also established with investors, analysts and shareholders via general meetings, quarterly announcements on results, periodic announcements to Bursa Securities and through press releases. Stakeholder communication methods are regularly assessed, through information requests, to ensure that they are transparent and effective.

Stakeholder Group	Engagement Platforms	Issues Raised in FY2017	Response to issues and outcomes
Employees	• Multichannel engagement	• Safety and health improvements • Housing improvements • Minimum wage	• Housing census report • Performance Review
Communities	• Town hall meetings • Community development programs • Various other formal and informal engagement	• Community programme meeting • Progress on Plasma Scheme • Land-related claims and compensation	• Various community development initiatives • Plasma Scheme cooperative meeting minutes filed in the respective Indonesia estates • Assessments such as SIA and HCV 5 and HCV 6 were carried-out to determine the customary land owners and minimise land conflicts.

Sustainability Statement

Stakeholder Group	Engagement Platforms	Issues Raised in FY2017	Response to issues and outcomes
Trade Unions	• Welfare committee and/or trade union meeting	• Minimum wage and piece rate policy • Safety and health • Housing • Medical	• Minimum wage policy in place. Ongoing discussions with Unions on improvement issues.
Civil Society	• Multichannel engagement	• Human rights issues including wages, and housing issues related to one of our subsidiaries	• Issues addressed through grievance procedure, consultative meetings and Welfare Committee.
Government	• Multichannel engagement	• Fire prevention requirements (Indonesia national agenda)	• Equipment required in compliance with requirement by the Ministry of Environment and Forestry in Indonesia and Fire and Rescue Department and Forestry Department in Malaysia
Suppliers	• Scheme smallholders	• Financing and oil palm plantation management • Developing small time oil palm smallholders in Indonesia through training and material aid.	• Meet targets for local suppliers
Media	• Multichannel engagement	• Financial and community information reported in various media platforms	• Meet commitment for transparency
Industry (e.g. RSPO, Malaysian Palm Oil Association ("MPOA"), Malaysian Palm Oil Board ("MPOB"), ISPO and Malaysian Sustainable Palm Oil Certificate ("MSPO")	• Multichannel engagement	• Annual Communication of Progress ("ACOP") report for RSPO	• ACOP report submitted for every year. • Commitment to ISPO and MSPO Certification by Timebound Plan.

MATERIALITY

The issues most material to our business were determined from an analysis of internal documents, peer reviews and our risk register. We also used indicators in the Bursa Securities Sustainability Reporting Guide and the Global Reporting Initiative ("GRI") G4 Sustainability Reporting Guidelines.

Marketplace

In line with TSH's commitment to be environmentally responsible, we are focused on improving the traceability of our palm oil to ensure that it is sourced from estates that operate ethically and implement sound environment practices. As part of this effort, we are pursuing the ISPO certification for our entities in Indonesia. Our commitment is underlined by our membership in the RSPO.

Sustainability Statement

- **Commitment to Certification**

In order to ensure that our operations are benchmarked to global standards, the Group became an RSPO member in November 2014. All our business units have committed to achieving RSPO certification by year 2021.

Status Updates

Description	2016	2017	Total
Number of RSPO-certified estates	1	2	3
Number of RSPO-certified mills	1	1	2

- **Plasma Scheme**

The Plasma Scheme is designed to develop small-time oil palm plantation owners or scheme smallholders among the local community in Indonesia. Under the scheme, government agencies, business or cooperatives help develop smallholders through different ways such as by providing them seed stock, fertilisers, pesticides, training, and loans. Our objective is to assist the cooperative scheme smallholders through services and the management of their oil palm properties.

TSH's role in the scheme

- managing the plantation for scheme smallholders
- educating the cooperative scheme smallholders on oil palm planting and business
- assisting the scheme smallholders to obtain financing for their projects
- educating and assisting scheme smallholders in implementing sustainable business practices

- **Supply Chain Management**

As a responsible Group, we work to ensure that the materials and components we use in our entire supply chain such as raw oil palm bunches and fertilisers can be traced to sources.

We also strive to ensure that we source as much of our materials as possible from local suppliers so as to empower and boost the surrounding economy. In 2017, almost 100% of suppliers were local suppliers.

For the estates under our management, we strictly adhere to all local labour regulations and ensure that there is zero tolerance for forced labour and child labour. This is done through field audits and inspections of our plantations and of the estates managed by scheme smallholders who supply to us. We also perform audits to ensure that our estates and those of our suppliers comply with local environmental regulations especially when it comes to waste management and land clearing.

Environment

As a plantation company, TSH works to ensure that its operations are environmentally responsible, and that adequate steps are taken to protect and effectively manage risks that may adversely impact the surrounding environment. Our Environment Policy Statement governs how we deal with greenhouse gas ("GHG") emissions, waste management and biodiversity issues. We also have a zero burning policy for all our operations.

The Group actively recycles and manages waste, monitors and minimizes its effluents and sources of pollution. We also partner with government agencies to protect bio-diverse and fragile ecosystems, besides replanting degraded and logged-out forests. The Group also generates renewable energy from oil palm waste for our own use and as a way to cut greenhouse gas emissions.

The Group also conducts an EIA and HCV prior to any land development. We have conducted EIAs for all our Indonesian plantations and Sabah estates that were established after September 1999.

In addition, our palm oil production is handled according to GAP guidelines where field operations in the plantation and transportation are processed in ways that minimise environmental impact and take into account occupational safety and health of workers.

- **Waste-to-Energy**

At TSH, we believe that nothing from our oil palm plantations should go to waste. Our bio-integration complex in Kunak, Sabah, exemplifies this by producing renewable energy from oil palm waste. Liquid and solid by-products from the palm oil mills are processed by the complex's biomass and biogas plants and turned into electricity and industrial steam.

Apart from tapping the commercial value of oil palm waste for the Group, TSH is contributing to the country's electricity needs through renewable sources. The

Sustainability Statement

biomass plant has a renewable energy power purchase agreement ("REPPA") with Sabah Electricity Sdn. Bhd. to supply up to 10MW of green electricity to Sabah. The biomass plant is also the first in the country that is connected to the national grid. The green electricity sold to the grid helps offset power that is generated from fossil fuels. In this way, TSH is working to reduce our carbon footprint.

i) Biomass power

The integrated complex is powered by renewable green energy from a 14MW biomass cogeneration plant. The plant generates electricity and industrial steam from solid by-products from the mill.

ii) Biogas power

The biogas power section of the complex generates electricity from wastewater produced from the palm oil milling process which is commonly known as Palm Oil Mill Effluent ("POME"). Energy is harvested from the POME through an aerobic activated sludge process and this treats the POME discharge to make it less environmentally harmful. Another key component in the process is the recovery of methane gas which is then used to generate electricity. This reduces greenhouse gas emissions from the milling process.

Waste as fertiliser

Oil palm waste, empty fruit bunches ("EFB") and decanter waste from mills are turned into mulch and organic fertilisers which are then applied in the plantations. This further reduces the waste we produce and recycles it into a material that we use on our own operations. The process is environmentally sound and saves money that would have otherwise been spent on waste disposal and buying chemical fertiliser.

- **Emissions**

The Group has begun plans to monitor and track GHG emissions from our operations. These plans, which include annual ambient and emissions tests, are in the process of implementing at two properties with an eye towards expanding in stages, throughout our operations. We are committed to implementing the plans in the future.

- **Water**

TSH maintains riparian boundaries to prevent freshwater contamination. We maintain an area of natural riverside vegetation – known as 'riparian reserves' – along both sides of a river that acts as a buffer between our plantations and the water source. To ensure that we stay within environmentally accepted limits, lab assessments of the river water are done every six months. We also monitor the amount of water used in our mills and estates.

- **Sustainable Forestry**

The forest ecosystems which surround our facilities are important to TSH and we continuously work with state agencies and non-government organisations to ensure that we minimise harm to the environment and also treat degraded areas. We have implemented enrichment planting and silviculture treatment initiatives under Sabah's FMU Programme. Our land development practices also meet strict environmental conditions to avoid harming biodiversity. Our use of sustainable wood materials has been accredited by the Forest Stewardship Council ("FSC").

TSH was awarded the Compliance Certificate Award 2017 by the Sabah Forestry Department for its efforts in reforestation. TSH has received this award for 9 consecutive years.

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i) Forest Rehabilitation

On 10 September 1997, TSH was awarded a 100-year licence by the Sabah government to carry out natural forest management works including rehabilitating, conserving and industrial tree planting on 123,385 ha of forest in Ulu Tungud, Sabah. The award was under a Sustainable Forest Management License Agreement ("SFMLA') and the area is now known as the Forest Management Unit ("FMU 4"). To date, about 12,000 ha of logged areas in the forest have been rehabilitated through enrichment planting and silviculture.

ii) Forest Conservation

As part of efforts to manage and enhance Sabah's natural resources, the Group had on 11 November 2015 signed a memorandum of understanding with the Sabah government to surrender approximately 30,000 hectares of land in the Ulu Tungud Forest Reserve which is in the Meliau Range. This represents 24% of FMU4 and it has been set aside for preserving the ecosystem of the forest and protecting its rich flora and fauna which are some of the most bio-diverse and unique in the world.

Some 172 species of birds call the Meliau range their home and we are working with local and international non-governmental organizations (NGO), and the Sabah Forestry Department to study its biodiversity and ecology.

TSH will bear 50% of the costs and expenses for this project. As part of our commitment, we prioritise the hiring of natives from the "Ansuan" and "Pinangah" tribes who work closely with us on our Natural Forest Management program.

iii) Biodiversity

TSH has put in place several practices to mitigate our impact on the surrounding environment's biodiversity. These include annual wildlife population assessments, soil conservation treatments, growing beneficial plants and monitoring HCV areas. To reduce pesticide use, we have implemented an integrated pest management programme that involves conducting a pest census and growing plants which are natural habitats for predators that feed on leaf-eating pests.

Workplace

At TSH, we realise that our successes are the result of our employees' collective energy and efforts at the workplace. We continuously strive to bring out the best in them through technological systems that aid them in their work and through streamlined management and operating procedures.

We also put in place civil and labour rights protections to further look after their welfare, and embed a culture of rewarding them according to merit. It is hoped that these measures will create a workplace where our employees feel dignified and respected no matter their ethnicity, religion, political beliefs, gender or age.

We also strictly comply with local labour regulations and have implemented national minimum wage rates throughout our operations.

- **Human Rights**

  TSH is fully committed to operating in an ethical and responsible manner, and to eradicate human rights violations throughout its supply chain. Our Human Rights & Responsible Business Practices Policy covers elements of anti-bribery, anti-corruption and forced labour. One of the policy's main objectives is to emphasize the importance of Free, Prior and Informed Consent ("FPIC"). The impediment of these rights whether through bribery or through the fraudulent use of funds will not be tolerated. The Company will not do business with those who violate the rights of others, such as by using forced or child labour. No incidences of forced or child labour have been found at our operations.

  We uphold an individual's right to be treated fairly and decently, and as a proactive measure, we have established a formal grievance mechanism so that complaints of mistreatment and abuse can be reported.

Sustainability Statement

The mechanism covers complaints on labour practices and human rights, and also comes with a remediation process.

i) Freedom of Association

TSH respects the right of its employees to freedom of association and, as such, the Company neither encourages nor discourages employees from joining trade unions.

The Company also respects the collective bargaining process so as to lift the morale of employees and enhance productivity and industrial relations. As a proactive gesture, the Company has established workplace welfare committees to represent employees and provide them a structured communication channel when a union is not present.

ii) Maternal care

The Company is fully committed to supporting its employees' reproductive rights and promotes accessibility to maternal health care. The Reproductive Rights Policy Statement underlines our commitment. The Group also ensures that pregnant and breast-feeding employees are given adequate days off, more frequent breaks and work re-assignments.

iii) Child Labour

TSH is strongly against the use of children for work and is fully committed to eradicating the occurrence of child labour in its workforce, which includes employees, contractors, volunteers and any other comparable form that constitutes as labour according to local and international laws, within its Group.

iv) Sexual Harassment

TSH has a zero tolerance policy for sexual harassment of any kind within the Group. Sexual harassment is deliberate or repeated, unsolicited and unwelcome verbal comments, gestures or physical contact of a sexual nature, or request for sexual favours which interferes with an individual's work performance or creates a toxic working environment.

• Workforce Diversity

TSH strongly believes in equal opportunity at work, embraces diversity and is against any and all forms of discrimination. The Group aspires to maintain a fair workplace by recruiting, developing, and retaining a diverse workforce in efforts to create an environment in which personnel can develop and apply the widest possible range of competencies and solutions without biased oppression or coercion.

In order to achieve this goal, the Company promotes the right to work and advancement on the basis of merit, ability, potential, and experience that is free from prejudice. The Company is strongly against the discrimination of any person based on age, race, caste, nationality, religion, disability, gender, sexual orientation, union membership and political affiliation. When appointing an employee, the Company through its management personnel will always evaluate and match the criteria of employees based on experience, expertise, professionalism, technical skills, specialist knowledge, time commitment, character, integrity, potential contribution and perceived ability to work cohesively with other employees.

Description Employee Breakdown	2017
Total Number	8,992
Turnover Rate (%)	3.29%
Gender	
• Female	2,934
• Male	6,058
Number of women in Management	
• Board of Directors	1
• Management	44
• Executive	94
Age Group	
• <30	3,177
• 30-50	5,458
• >50	357

• Occupational Safety and Health

TSH is committed to maintaining high safety and health standards within its workforce, contractors, volunteers and visitors within the Group. To achieve this objective, each operation unit has established a Safety & Health Committee which is responsible for cultivating safe

Sustainability Statement

working practices and behaviour. A series of in-house training programmes on safety and health have also been conducted by committee members and external experts.

The Company provides adequate health care such as medical check-ups for workers handling chemicals, pesticide, fertiliser and who operate the chemical premix station. Besides protective clothing, workers are trained to handle pesticides in a safe manner. In addition, a Hazard Identification Risk Assessment and Controls ("HIRAC") system and related facilities are in place to cut down on hazards.

In 2017, we managed to reduce the number of reportable accidents. Some of the measures taken to achieve this include reviewing the HIRAC processes and improving employee compliance towards safety procedures. The OSH committee also conducts scheduled inspections and refresher safety courses besides ensuring that procedures are enforced.

- **Training and Development**

We nurture a conducive learning culture for all our employees – from the lowest general worker to the senior manager – equipping them with the knowledge and skills to effectively perform and overcome the challenges in our industry. This is done through dedicated training centers that offer courses of which the main ones are:

- The Plantation Training Centre that was established in 2005 in Palangkaraya, Central Kalimantan, is a strong platform to spearhead our expansion in Indonesia. The center shares best practices among field assistants and cadets that can be adopted in all our new estates. Besides providing a pool of talent for our expansion, in the long run, the knowledge gained improves the productivity of the plantation's management. The center has successfully churned out a large number of graduates, all of whom have started out on rewarding careers in our plantations.
- Our annual training for employees includes topics such as code of conduct and business ethics, resource/environmental management, equal opportunity or non-discrimination practices, grievance mechanisms and remediation processes, human rights, child labour, forced labour, and occupational safety and health.
- The all-encompassing Group Human Resource Manual spells out the benefits, rules and regulations and policies for our employees.
- Our Indonesian estates and mills conduct daily safety briefings for workers.
- Field workers are trained in SOP.
- Ladang Ong Yah Ho is provided with a Community Learning Centre.

Description	2016	2017
Percentage of employees receiving regular performance and career development review	100%*	100%*

*certain employee categories

Succession Planning

The senior management succession plan involves attracting and developing talented and skilled people who fit with the Company's culture and business strategy as well as identifying successors for senior management positions. The Board is responsible for reviewing and monitoring the appointment and dismissal of senior management while the Group Managing Director is responsible for the senior management succession plan.

- **Employee Engagement and Benefits and Wellbeing**

i) Engagement

TSH understands that non-work activities and programmes are important to employee well-being and morale, and the Group continues to engage with employees through a variety of activities and celebrations in 2017. These included:

- Staff Annual Dinner for all employees at TSH KL with the theme "Hollywood Glam" held at Hilton KL on 25 February 2017. There were performances, 25 lucky draw prizes, best dress and long service award presented during the Staff Annual Dinner.
- Staff birthday party celebration at TSH KL for all employees held every quarter in year 2017.
- "Makan Durian" feast with various types of durian served for all TSH KL employees held on 8 September 2017.

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- 4 Days 3 Nights management retreat at Chiang Mai, Thailand with all TSH Senior Management Employees held in November 2017. We had our quarterly management meeting followed by teambuilding activities with lined-up programmes i.e. Chiang Mai cultural dance, chill-out at Hard Rock Cafe , visit to elephant camp & long neck tribe village etc.
- Officiating TSH KL gym facilities at Level 1, Menara TSH by Datuk (Dr.) Kelvin Tan and Dato' Tan Aik Sim on 14 December 2017. The lined-up activities were Zumba Dance and Christmas gift exchange with western food served for all TSH KL employees.
- Celebration of Hari Raya Aidiladha / Qurban day for PT. Laras Internusa ("PT. LIN") employees and local community held on 30 August 2017.
- Scholarship presentation on 2 September 2017 to the top scorer for secondary school students at PT. LIN office.
- Appreciation day with 48 best students from 8 primary schools for PT. LIN held on 27 November 2017.
- Breaking fast together with approximately 150 employees and family members for PT. LIN and 76 employees for PT. Munte Waniq Jaya Perkasa ("PT. MWJP"), held respectively on 17 June 2017.
- Fun filled games and entertainment were held on 17 August 2017 with employees, their families and local community in PT. MWJP & PT. Perkebunan Sentawar Membangun. There were 4 segments of games i.e. Panjat Pinang, Tarik Tambang, Joget Balon and Sepak Bola Putri, with a night of entertainment - Dangdutan.
- Presentation and handover of sports equipment and carpet from Community Development (CD) & HR Team on 30 December 2017 for PT. LIN.
- New Year eve celebration on 31 December 2017 with all employees and local community at PT. MWJP field.

ii) Benefits and Welfare

TSH provides a host of benefits that enhances the welfare of our workers especially those staying in our plantations or who work close to them. These benefits include physical facilities such as housing, schools, sports grounds, child crèches, treated water supply and places of worship. Non-physical benefits include sports club memberships, insurance coverage and a well-being programme.

Community

As a responsible corporate citizen, TSH strives to contribute to the surrounding community particularly children and the underprivileged. Each individual business units/divisions has a Community Development Department which manages community projects and contributions. For Indonesia, community programmes are decided based on guidelines from the Agriculture Ministry and the community's needs. Generally, TSH focuses on education, disaster relief and/or preparedness, arts, culture and heritage, sports and health, religious activities and infrastructure development.

In 2017, the Group contributed RM50,000 to fund an initiative that helps improve English proficiency among primary school pupils and a total of RM103,000 to various charitable and philanthropic causes.

- ***Step Up***

  For six consecutive years, TSH has sponsored copies of *Step Up* worth RM50,000 per year. *Step Up* is a 24-page pullout by The Star, specially designed for primary school pupils from years four to six, and features fun workbook exercises and activities that help boost English proficiency among primary school pupils. 35 schools in Perak and Sabah benefitted from the sponsorship. This pullout comes in two versions - a Bahasa Malaysia version and a Chinese version. Each version features translation of difficult English words.

  The pullout features syllabus-based content and is endorsed by the Education Ministry.

  The Company's sponsorship of *Step Up* will continue in 2018.

Year	2015	2016	2017
Sponsorship (RM)	50,000	50,000	50,000
Number of schools benefitted	35	35	35

Sustainability Statement

- **Community Giving and Charity**

TSH has contributed RM103,000 to various philanthropic causes throughout 2017. These are:

- TSH generously donated RM10,000 to EPIC (Extraordinary People Impacting Community) to help build EPIC Homes' 101th home for the orang asli community in Serendah.

- In July 2017, TSH donated RM3,000 each to eleven Chinese medium schools in Bagan Datuk district. The recipient schools are as follows:
    - SJKC Yee Hwa, Sungai Belukang
    - SJKC Sin Min, Sungai Tiang
    - SJKC Hua Hsia, Bagan Datuk
    - SJKC Hwa Nan, Selekoh
    - SJKC Chong San, Sungai Burung
    - SJKC Keow Min, Hutan Melintang
    - SJKC Yeong Seng, Hutan Melintang
    - SJKC Pooi Aing, Sungai Sumun
    - SJKC Bagan Pasir Laut, Selekoh
    - SJKC Pooi Seng, Hutan Melintang
    - SKJC Simpang Tiga, Bagan Datuk

- In support of fundamental human rights, TSH made a donation of RM30,000 to deliver humanitarian aid to Rohingya refugees.

- To promote universal peace, TSH contributed RM10,000 towards the building of Universal Peace Centre in Lumpini, Nepal.

- In an effort to conserve Mother Nature, TSH chipped in RM10,000 towards Yayasan Inovasi Malaysia's recycling programme for local communities.

- TSH donated RM5,000 to Malaysian Retail Chain Association (MRCA) Charity Run 2017. The donation raised from this run will be channelled towards the betterment of selected charitable homes in the city.

- TSH sponsored the sum of RM5,000 to Saan Yak Nak Meditation Centre for their charitable services towards society.

Our People and Faces

Our People and Faces

Corporate Structure

PALM SEGMENT

TSH Plantation Sdn. Bhd. (150482-H)

TSH Plantation Management Sdn. Bhd. (46602-V)

TSH Palm Products Sdn. Bhd. (395007-H)

TSH-Wilmar Sdn. Bhd. (268555-U)

RT Plantations Sdn. Bhd. (1033974-D)
(Formerly known as Rinukut Plantations Sdn. Bhd.)

LKSK Sdn. Bhd. (10018-U)

PT. Andalas Agro Industri (Incorporated in Indonesia)

PT. Andalas Wahana Berjaya (Incorporated in Indonesia)

PT. Sarana Prima Multi Niaga (Incorporated in Indonesia)

PT. Teguh Swakarsa Sejahtera (Incorporated in Indonesia)

PT. Laras Internusa (Incorporated in Indonesia)

PT. Farinda Bersaudara (Incorporated in Indonesia)

PT. Mitra Jaya Cemerlang (Incorporated in Indonesia)

PT. Bulungan Citra Agro Persada (Incorporated in Indonesia)

PT. Munte Waniq Jaya Perkasa (Incorporated in Indonesia)

PT. Perkebunan Sentawar Membangun (Incorporated in Indonesia)

PT. Andalas Wahana Sukses (Incorporated in Indonesia)

PT. Prima Usaha Sukses (Incorporated in Indonesia)

Innoprise Plantations Berhad (285072-M)

OTHERS SEGMENT

Ekowood International Berhad (301735-D)

Ekowood Malaysia Sdn. Bhd. (336672-X)

Ekowood (USA) Inc. (Incorporated in the State of California, USA)

TSH Bio-Energy Sdn. Bhd. (272534-H)

TSH Bio-Gas Sdn. Bhd (420342-M)

TSH Biotech Sdn. Bhd. (631048-V)

CocoaHouse Sdn. Bhd. (220221-A)

TSH-Wilmar (BF) Sdn. Bhd. (632894-V)

Notes:

- The companies reflected above are operating subsidiaries/associated company/joint venture.
- The full list of companies under the TSH Group is set out in the Notes to the Financial Statements on pages 119 to 123 in the Financial Statements section of this Annual Report.

Corporate Information

Board of Directors

Datuk (Dr.) Kelvin Tan Aik Pen
Chairman, Non-Independent Non-Executive Director

Dato' Tan Aik Sim
Group Managing Director

Datuk Jaswant Singh Kler
Independent Non-Executive Director

Dato' Jasmy bin Ismail
Independent Non-Executive Director

Selina binti Yeop Junior @ Lope
Independent Non-Executive Director

Yap Boon Teck
Independent Non-Executive Director

Tan Aik Kiong
Group Executive Director

Chew Siew Yeng
Non-Independent Non-Executive Director

Tan Aik Yong
Executive Director

Lim Fook Hin
Non-Independent Non-Executive Director

Audit Committee

Datuk Jaswant Singh Kler
Chairman/Independent Non-Executive Director

Dato' Jasmy bin Ismail
Member/Independent Non-Executive Director

Yap Boon Teck
Member/Independent Non-Executive Director
(Member of the Malaysian Institute of Accountants)

Nomination Committee

Datuk Jaswant Singh Kler
Chairman/Independent Non-Executive Director

Dato' Jasmy bin Ismail
Member/Independent Non-Executive Director

Lim Fook Hin
Member/Non-Independent Non-Executive Director

Remuneration Committee

Datuk Jaswant Singh Kler
Chairman/Independent Non-Executive Director

Selina binti Yeop Junior @ Lope
Member/Independent Non-Executive Director

Lim Fook Hin
Member/Non-Independent Non-Executive Director

Company Secretary

Chow Yeen Lee (MAICSA 7047480)

Registered Office

Level 10, Menara TSH
No. 8 Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Tel : +603 - 2084 0888
Fax : +603 - 2084 0828
E-mail : tsh@tsh.com.my

Auditors

BDO (AF: 0206)
Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel : +603 - 2616 2888
Fax : +603 - 2616 3190/3191

Principal Bankers

AmBank (M) Berhad
Cooperatieve Centrale Raiffeisen - Boerenleenbank B.A (Rabobank)
HSBC Bank Malaysia Berhad
Kuwait Finance House (M) Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad

Share Registrar

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 - 7849 0777 (Helpdesk)
Fax : +603 - 7841 8151/8152

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Company Website

www.tsh.com.my

Profile of
Board of Directors

DATUK (DR.) KELVIN TAN AIK PEN
Chairman, Non-Independent Non-Executive Director
Aged 60, Male, Malaysian

Datuk (Dr.) Kelvin Tan Aik Pen is the Chairman, Non-Independent Non-Executive Director of the Company. He has been a Director of TSH since his appointment to the Board on 17 January 1986. He is currently the Managing Director of Innoprise Plantations Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the board of a number of private companies.

Kelvin has more than thirty (30) years experience in resource based industry, which includes extensive working knowledge of international trade practices. He was the Chairman of the Malaysian Cocoa Board for 8 consecutive years from 1997 to 2004 and trustee of the Borneo Conservation Trust Sabah from 2010 to 2013. Kelvin was appointed to the Board of Directors of University Malaysia Sabah on 1 August 2017. He also serves as Honorary Director of Sabah Chinese High School. As recognition for his many contributions to environmental conservation and forestry, Kelvin was conferred an Honorary Doctorate in Philosophy (Agroforestry) by Universiti Malaysia Sabah on 3 September 2006.

He is the brother of Dato' Tan Aik Sim, Tan Aik Kiong and Tan Aik Yong.

DATO' TAN AIK SIM
Group Managing Director
Aged 54, Male, Malaysian

Dato' Tan Aik Sim was appointed as Group Managing Director on 1 January 2009 after serving as Chief Executive Officer since 1 September 2006. He was appointed to the Board of Directors of the Company on 27 February 1992. He is also the Group Managing Director of Ekowood International Berhad ("Ekowood") and sits on the board of various subsidiary companies of TSH. He obtained Bachelor Degrees in both Economics and Engineering from Monash University, Australia in 1988.

As Assistant General Manager of CocoaHouse Industries Sdn. Bhd. from 1989 to 1990, he has gained experience and expertise in general management, manufacturing and marketing. He was also heavily involved in setting up TSH Industries Sdn. Bhd.'s (now known as CocoaHouse Sdn. Bhd.) manufacturing facilities in 1993 and its subsequent operations. He played a leading role in the listing of TSH in 1994 and Ekowood in 2004.

He was appointed to Ekowood to spearhead the establishment of the integrated timber complex from a green field site. As Group Managing Director of Ekowood, he has played a pivotal role in the rapid growth of Ekowood, elevating it into a brand to be reckoned within the engineered hardwood flooring industry. He is also instrumental in developing Ekowood's international marketing network and developing it into an award-winning internationally recognised brand.

His initial involvement in TSH includes overseeing the forest management unit in Sabah before progressing into the biomass energy sector. In the recent years, he has been actively involved in oil palm plantation segment and its related downstream activities. He has played a keyrole in the exponential growth of TSH's oil palm segment especially in Indonesia. He is also instrumental in developing and putting in place the necessary business platforms for the next development phases of the oil palm segment in Indonesia and Sabah.

He is the brother of Datuk (Dr.) Kelvin Tan Aik Pen, Tan Aik Kiong and Tan Aik Yong.

Profile of Board of Directors

DATUK JASWANT SINGH KLER
Independent Non-Executive Director
Aged 77, Male, Malaysian

Datuk Jaswant Singh Kler was appointed as an Independent Non-Executive Director on 1 February 1999. He also serves as the Chairman of the Remuneration Committee, Nomination Committee and Audit Committee. He is an Associate member of the Incorporated Society of Planters and continues to play an active role as a senior member of the planting fraternity in Malaysia and sits on the Board of Innoprise Plantations Berhad. He holds directorship in various subsidiary companies of TSH Group.

Notably, he was the Chairman of the East Malaysia Planters' Association for sixteen (16) years from 1985 to 2000. He was an Independent Non-Executive Director of Kwantas Corporation Berhad and an Executive Director of Bena Plantation Sdn. Bhd. when he left in 2006 and 1984 respectively. He now manages his own plantation consultancy business under Agri Cek Sdn. Bhd.

He participates actively as a committee member of the Malaysian International Chamber of Commerce & Industry (Sabah branch). He is a member of the Institute for Development Studies (Sabah) and also a life member of Agricultural Institute of Malaysia.

He does not have any family relationship with any other Director and/or other major shareholders of the Company.

Datuk Jaswant Singh Kler who retires in accordance with Article 95 of the Company's Articles of Association has expressed his intention not to seek re-election as Director of the Company. Hence, he will retain office until the conclusion of the Annual General Meeting.

DATO' JASMY BIN ISMAIL
Independent Non-Executive Director
Aged 54, Male, Malaysian

Dato' Jasmy bin Ismail was appointed as an Independent Non-Executive Director of TSH on 4 June 2014. He obtained his Chartered Institute of Logistics and Transport in United Kingdom and Master of Science (Msc) in Transport Management from City University, London.

In 1988, Dato' Jasmy joined IBM Malaysia and held various positions within the Sales and Marketing Division, responsible mainly for the Public Sector and Financial Service Industries. Prior to leaving IBM Malaysia, he was the Executive Assistant to the Chief Executive Officer of IBM Malaysia.

Dato' Jasmy joined CCAAP Technologies Sdn. Bhd. as General Manager in 1996. He was also the Executive Director of New Technology & Innovation Sdn. Bhd.

In 2000, Dato' Jasmy co-founded Symphony Global Technologies Sdn. Bhd. and was involved in the formulation of Symphony House Berhad which was then listed on Bursa Malaysia Securities Berhad in 2003. He was the Chief Executive of Symphony's Technology Services Division. He also served as the Chairman of Symphony BCSIS Sdn. Bhd., a joint-venture company with OCBC Singapore's subsidiary, BCS Information Systems Pte. Ltd. ("BCSIS") and held the position until 2007. He was also an Independent Non-Executive Director of Malaysia Building Society Berhad up to February 2018. Presently he is the Chief Executive of SGT International Sdn. Bhd. and a director of several other private limited companies.

He is currently an Independent Non-Executive Director of Symphony Life Berhad and Naza TTDI Sdn. Bhd. He is also an appointed Council Member of Badminton Association of Malaysia.

He does not have any family relationship with any other Director and/or other major shareholder of the Company.

Profile of Board of Directors

SELINA BINTI YEOP JUNIOR @ LOPE
Independent Non-Executive Director
Aged 49, Female, Malaysian

Selina binti Yeop Junior @ Lope was appointed as an Independent Non-Executive Director of TSH on 14 August 2015. She also serves as a member of the Remuneration Committee.

Ms Selina Yeop Jr. is the Chief Executive Officer of Salina & Associates PR Sdn. Bhd., a boutique Public Relations agency based in Selangor, Malaysia. She holds an MBA from the Southern Pacific University, Delaware, United States of America and obtained a Diploma in Public Relations from Stamford College, Kuala Lumpur, Malaysia.

She started her career at Chase Perdana Bhd in Kuala Lumpur as Head of Corporate Communications, following her stint at advertising giant Peter Beaumont & Friends, Kuala Lumpur. She has received the Pingat Ahli Mahkota Perak from Sultan Azlan Shah in 2008 for her numerous contributions to the field of Public Relations in the State.

Currently, Ms Selina Yeop Jr. is on the Advisory Panel of the Women's Institute of Management, where she has co-authored two books entitled "The IPO Debut" and "Small & Medium Success Stories" in aid of poverished single mothers.

She does not have any family relationship with any other Director and/or other major shareholder of the Company.

YAP BOON TECK
Independent Non-Executive Director
Aged 63, Male, Malaysian

Yap Boon Teck was appointed as an Independent Non-Executive Director of TSH on 15 December 2015. He also serves as a member of the Audit Committee.

He holds a professional accounting qualification from the Association of Chartered Certified Accountants (ACCA), United Kingdom. He is also a member of the Malaysian Institute of Accountants.

He started his career with a small to medium size accounting and audit firms in the United Kingdom and medium to large local accounting and audit firms in Kuala Lumpur. While in public practice, Mr. Yap has gained experience in auditing both private and public companies mainly in finance and banking, property developments and manufacturing sectors.

He joined the MBf Group of Companies in November 1983 as an accountant and subsequently held various positions within the Group which included, property, insurance & financial services and manufacturing. Prior to leaving MBf Group in August 2003, he was the President-Corporate of MBf Holdings Berhad and MBf Capital Berhad.

In August 2003, he was appointed as Executive Director of Metroplex Berhad before he left in March 2006 to join Malaysian Land Properties Sdn. Bhd. where he served as the Group General Manager, overseeing management of the completed projects such as building management, shopping centre and hotels. He was also involved in the negotiation to purchase a major property and responsible for the various departments within the company, namely personnel, legal, finance and accounting and general administration.

In March 2011, he joined KIP Group of Companies as Chief Executive Officer. He resigned from the KIP Group of Companies on 31 May 2017.

He does not have any family relationship with any other Director and/or other major shareholder of the Company.

Profile of Board of Directors

TAN AIK KIONG
Group Executive Director
Aged 58, Male, Malaysian

Tan Aik Kiong is the Group Executive Director of TSH. He was appointed to the Board of Directors of TSH on 25 November 1987. He sits on the board of various subsidiary companies of TSH and holds directorship in other private limited companies. He also sits on the board of Innoprise Plantations Berhad as an Alternate Director.

He obtained a Masters Degree in Civil Engineering, majoring in Construction Management, from the Oklahoma State University, United States of America. Prior to joining the Company, he was attached to Prudential Bache Ltd., an established brokerage and commission house and subsequently with Ameroid Services Pte. Ltd., an independent warehousing company in Singapore.

He is the brother of Datuk (Dr.) Kelvin Tan Aik Pen, Dato' Tan Aik Sim and Tan Aik Yong.

CHEW SIEW YENG
Non-Independent Non-Executive Director
Aged 60, Male, Malaysian

Chew Siew Yeng was appointed as an Executive Director of TSH on 1 January 2013. On 1 November 2016, he was re-designated as Non-Independent Non-Executive Director following his retirement as Chief Financial Officer after 8 years of service.

He started his career with an international accounting firm, PricewaterhouseCoopers from 1979 until 1994. During this period, he was attached to Audit and Business Advisory, Business Centre and Management Consultancy divisions with wide experiences covering all sectors of industries in private and listed companies. In 1995, he joined a listed company, AMDB Bhd as the Group Financial Controller until 2007 with his last position as Senior General Manager-Corporate Services/Finance and Chief Risk Officer. During this period, his main responsibilities included serving on the EXCO/Board of AMDB Group of companies and financial management involving supervision of the Group Finance functions, merger and acquisition, risk management, treasury and tax functions.

He holds a professional accounting qualification from the Malaysian Institute of Certified Public Accountants. He is a member of the Malaysian Institute of Accountants.

He does not have any family relationship with any other Director and/or other major shareholder of the Company.

Profile of Board of Directors

TAN AIK YONG
Executive Director
Aged 49, Male, Malaysian

Tan Aik Yong was appointed as an Executive Director of the Company on 1 February 2016. He was previously an Alternate Director since 4 July 2003.

He is a non-practising barrister with a degree in Bachelor of Laws (LLB) from Queen Mary College, University of London. He qualified as a Chartered Financial Analyst (CFA) in 1998. His career started with a law firm in Kuala Lumpur and had since spent 10 years in investment banking activities in the region. He was a senior manager in United Overseas Bank Group prior to joining TSH Group to handle investment planning, corporate and financing matters in 2002.

He also holds directorship in other private limited companies.

He is the brother of Datuk (Dr.) Kelvin Tan Aik Pen, Dato' Tan Aik Sim and Tan Aik Kiong.

LIM FOOK HIN
Non-Independent Non-Executive Director
Aged 68, Male, Malaysian

Lim Fook Hin was appointed as an Executive Director of TSH on 9 May 1997. On 1 February 2016, he was re-designated as Non-Independent Non-Executive Director. He also serves as a member of the Remuneration Committee. He is currently a Director of Ekowood International Berhad and the Executive Director of Innoprise Plantations Berhad. He also sits on the board of some subsidiary companies within the TSH Group and holds directorship in other private limited companies. He is a member of the Malaysian Institute of Certified Public Accountants. After qualifying as a member of the ICAEW, he joined Coopers & Lybrand as an Audit Senior in 1976 and was transferred to Coopers' management consultancy services in 1977. He joined the Commonwealth Development Corporation in 1978 and was seconded to Sarawak Oil Palm Sdn. Bhd. as Company Secretary.

He joined BAL Plantation Sdn. Bhd. in 1981 as Financial Controller until 1993. His main responsibility included financial management, merger and acquisition and commodity marketing. He was Chief Executive of United Palm Oil Industries PLC ("UPOIC"), a company listed on the Stock Exchange of Thailand before joining TSH in 1997.

He does not have any family relationship with any other Director and/or other major shareholder of the Company.

Additional information:

1. None of the Directors has:
   (i) any conflict of interest with the Company;
   (ii) been convicted of any offence within the past five (5) years; and
   (iii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.
2. Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Overview Statement on page 43.

Profile of Key Senior Management

MICHAEL WONG CHUNG HAU

Chief Financial Officer of TSH Resources Berhad
Aged 52, Male, Malaysian

Mr. Michael Wong is a member of the Malaysian Institute of Accountants, CPA Australia and ICAEW's Corporate Finance Faculty. He holds a Bachelor of Commerce (Honours) from the University of Melbourne, Australia.

He was appointed as Chief Financial Officer of the Group on 9 January 2018. He has 28 years of working experience in accounting, corporate finance, auditing and corporate advisory. Immediately prior to joining the Company, he was the Chief Financial Officer of Warisan TC Holdings Berhad. Prior to that, he had also served as Director of Corporate Finance at Deloitte Corporate Advisory Services Sdn. Bhd. where he led various engagements, including mergers and acquisitions, operational restructurings, feasibility studies and valuations.

YAP KOK LIN

General Manager,
Human Resources of TSH Resources Berhad
Aged 52, Male, Malaysian

Mr. Yap joined the Company as Head of Human Resources on 21 August 2017. He has a Master's Degree in Human Resource Management & Industrial Relations from the University of Newcastle, Australia.

His experience in the Human Resource sector spans 13 years in various multinational companies, including Luxchem Trading Berhad, Golden Screen Cinemas Sdn. Bhd. and Kuala Lumpur Kepong Berhad. His expertise includes turning unfavourable situations into successful ones, in addition to setting up a Human Resource team in a greenfield environment. He is also skilled in Management Information System, Administration and Business Management and is a certified Trainer from Pembangunan Sumber Manusia Berhad.

SHASHITHERAN THAMOTHAREM

General Manager,
Estate Operations of TSH Resources Berhad
Aged 36, Male, Malaysian

Mr. Shashitheran joined the Company as General Manager, Estate Operations on 11 July 2016. He holds a Masters in Business Administration, majoring in Finance, from University of Southern Queensland, Australia and possesses a Software Engineering degree from Greenwich University, United Kingdom.

His working experience spans 14 years in several multinational companies in various industries such as Oil & Gas, Semiconductor and IT Operations. Prior to joining the Company, he was the Project Manager of Aker Solutions (a Norwegian Subsea Company) managing projects globally through all project phases from conception through completion within targeted cost, schedule, and compliance parameters. He was also involved in the Semiconductor business while working for Freescale Semiconductor (formally known as Motorola) as a Supply Chain Engineer.

PANG THAU YIN

General Manager,
Research and Development of TSH Resources Berhad
Aged 57, Male, Malaysian

Mr. Pang was appointed as General Manager, Research & Development on 1 October 2007. He obtained his BSc Hons in Agricultural Science from the University of Nottingham, United Kingdom.

Prior to joining the Company, he was a Chief Research Officer in the research and development department of a major plantation group. He has 31 years of experience in plantation crop research.

Profile of Key Senior Management

LOO SAY HEE
General Manager,
Mill Operations of TSH Resources Berhad
Aged 52, Male, Malaysian

Mr. Loo joined the Company as General Manager, Mill Operations on 28 November 2014. He holds a Masters in Science in Computer Aided Engineering from University of Teesside, United Kingdom and possesses a Mechanical Engineering degree from the Engineering Council, United Kingdom.

His work experience spans 26 years in several public listed and multinational companies in various industrial manufacturing operations. Prior to joining the Company, he was the GM of a Japanese JV overlooking the entire stainless steel pipe fittings business which includes Sales and Manufacturing. He has knowledge of the power generation business through Jebsen & Jessen as their Technical & Coordination Manager. He was also involved in the tobacco business while working for Philip Morris as their Engineering Manager. He started his career in Motorola as an Equipment Engineer before moving to a public listed company producing wood-based office furniture in the capacity as Manager of Maintenance, Tooling and Facilities.

MOHD FAUDZI BIN AHMAD
General Manager,
Estates for Sumbar, Indonesia
Age 62, Male, Malaysian

En. Mohd Faudzi joined the Group as Assistant General Manager, Estates for Sumbar, Indonesia on 12 November 2011 and was promoted to become General Manager, Estates on 1 January 2015. He has more than 40 years of experience in plantation management in Peninsular Malaysia, Sabah, Kalimantan and Sumatera. The companies he was previously attached to includes Sime Darby Plantation Sdn. Bhd., Kulim (M) Bhd and IOI Plantation Services Sdn. Bhd. His responsibilities consisted of managing oil palm estates, field maintenance, preventive maintenance for roads and vehicles, labour management, preparation of estate budgets and work programmes, implementation of financial control and estate operation activities to leading, training and motivating subordinates and workforce.

ENTAWAN ANAK INDI
General Manager,
Head of Estate for Kaltim, Indonesia
Aged 57, Male, Malaysian

En. Entawan joined the Group as Senior Estate Manager on 20 October 2009 and was promoted to become Head of Estate for PT. Sarana Prima Multi Niaga, prior to being appointed to the position of General Manager, Head of Estate for Kaltim, Indonesia in December 2016. He holds a Diploma in Agriculture from Universiti Pertanian Malaysia, Sarawak.

His work experience spans 33 years in various plantation groups, including Boustead Estates Sdn. Bhd., Austral Enterprises Berhad, and Sarawak Plantation Agricultural Division. Over that period, he progressed from Probationer Assistant early in his career to managing the Lana Oil Palm Plantations. His skills include oil palm land management, preparation, cultivation, upkeep and harvesting. In addition, he also possesses knowledge on cocoa plantation management.

Additional information:

None of the Key Senior Management has:

(i) family relationship with any Director/major shareholder of the Company;
(ii) any conflict of interest with the Company;
(iii) be convicted of any offence within the past five (5) years; and
(iv) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Corporate Governance Overview Statement

The Board of Directors of TSH ("Board") recognises that exercise of good corporate governance in conducting the business and affairs of the Company with integrity, transparency and professionalism are key components for the Company's continued progress and success. These will not only safeguard and enhance shareholders' investment and value but will at the same time ensure that the interests of other stakeholders are protected.

The Board is therefore committed to high standards of corporate governance and business practices. Accordingly, the Board has adopted TSH Corporate Governance Guidelines ("TSH Guidelines") to assist the Board in the exercise of its responsibilities. The TSH Guidelines, along with the terms of reference ("TORs") of the Board and Board Committees provide the framework for corporate governance at TSH. The Board periodically reviews the TSH Guidelines and TORs to ensure its relevance and it was last updated on 27 February 2018.

The Board is pleased to present this statement, an overview of TSH's corporate governance practices during the financial year with reference to the 3 Principles which are set out in the Malaysian Code on Corporate Governance 2017 ("Code"):

(1) Board leadership and effectiveness;

(2) Effective audit and risk management; and

(3) Integrity in corporate reporting and meaningful relationship with stakeholder.

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS

I. ROLE AND RESPONSIBILITIES OF THE BOARD

The Board has overall responsibility for overseeing the effective management and control of the Group on behalf of TSH's shareholders and supervising executive management's conduct of the Group's affairs within a controlled authority framework, which is designed to enable all aspects of operation are prudently and effectively assessed and monitored. The Board has adopted a schedule of matters reserved to it for decision, a copy of which can be found on TSH's website at www.tsh.com.my.

The Board is guided by its Board Charter which sets out the Board's roles, powers, duties and functions. The Board Charter can be found online at TSH's website. The structure of the Board ensures that no individual or group of individuals dominates the Board's decision-making process. The Board is supported by the Audit Committee, Remuneration Committee and Nomination Committee. Each Board Committee has defined TORs, which can be found on TSH's website.

Clear Functions of the Board and Management

There is a clear distinction between the roles and responsibilities of the Board, Chairman and Group Managing Director which are set out in the TSH Guidelines.

The Board retains full and effective control of the Company. Matters specifically referred to the Board for approval include, inter-alia reviewing and approving corporate proposals, plans and annual budgets, acquisitions and disposals of undertakings and properties of a substantial value, major investments and financial decisions and changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits.

The Board delegates some of its function to the Committees of the Board which operate within clearly defined TORs with a view to assist in the fulfillment of its responsibilities. Chairmen of the various Committees report to the Board with a recommendation on all matters considered at its meeting. In addition, minutes of each Board Committee meeting is circulated to all Board members in order to keep the Board abreast of the actions and decisions taken by each Board Committee.

The Board plays an active role in the development of the Group's strategic plan with a view to maximising shareholder value and promoting sustainability. This includes review, comment and provide final approval of the Group's strategic plan prepared by management. In conjunction with this, the Board also reviews and approves the annual budget for the ensuing year and monitors management's implementation of and performance with respect to that agreed strategic plan.

Corporate Governance Overview Statement

The Board carries out periodic review of the achievements by the various operating segments against their respective business targets to determine whether these divisions are efficiently managed. Financial statements are reviewed by the Board before being released through Bursa LINK.

Some of the matters considered by the Board in relation to the strategic priorities are disclosed in the Corporate Governance Report ("CG Report"), a copy of which can be downloaded from TSH's website at www.tsh.com.my.

Company Secretary

The Board is supported by a qualified Company Secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretary ensures that all governance matters and Board policies and procedures are followed and that applicable laws and regulations are complied with.

All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Board, to whom the Company Secretary is directly accountable.

Supply and Access to Information and Advice

The Directors have access to all information within the Company, whether as a full board or in their individual capacity, to the extent that the information required is pertinent to the discharge of their duties as Directors.

For each Board and Committee meeting, the meeting papers are, to the extent feasible, provided/made available 5 working days prior to each meeting so that Directors have sufficient time to read and understand the information and obtain further information, clarification or explanation, where necessary. Time is allocated for Directors to raise other matters not covered by the formal agenda.

The Board has also put into place a procedure for Directors, whether as a full Board or in their individual capacity, to take independent professional advice at the Company's expense, if necessary. Details of procedures are disclosed in the TSH Guidelines.

Management will make all information readily available to the professional advisers and must make themselves available to such advisers in order to facilitate the effective solution of the Director's concerns. The findings of the advisers will need to be put before the Board for determination of any action that may be required by the Company.

Code of Ethics

The Board is guided by a high standard of ethical conduct in accordance with the Code of Ethics for Company Directors as established by the Companies Commission of Malaysia. The Board is ultimately responsible for the implementation of this Code of Ethics.

The Board has delegated to the Nomination Committee the responsibility to administer this Code of Ethics. The procedures which are set out in the TSH Guidelines are disclosed in the CG Report.

TSH has a Code of Ethics to govern the employees. The provisions set out in the Code of Ethics ensure compliance with laws and regulations, sound employment practices, confidentiality and privacy. It also includes amongst others, provisions on conflicts of interest, bribery and the protection and proper use of TSH's assets and resources. To tackle new challenges, this Code of Ethics will be expanded to include anti-corruption and money laundering.

Whistle-Blowing Policy

The Board has adopted a Whistle-Blowing Policy in February 2010 that outlines the principles underpinning the policy and grievance procedures. This policy aims to encourage the reporting of any misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group, in good faith, with the confidence that employees making such reports will, to the extent possible, be protected from reprisal.

Details of whistle-blowing channel are available on the Company's website at www.tsh.com.my.

Corporate Governance Overview Statement

II. BOARD COMPOSITION AND INDEPENDENCE

TSH Board currently consists of 10 members, 4 Independent Non-Executive Directors including one lady Director, 3 Non-Executive Directors, one of whom is the Chairman and 3 Executive Directors, including Group Managing Director. The Board composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") that requires a minimum of 2 Directors or one-third of the Board, whichever is higher, to be independent directors.

The Board consists of a majority of Non-Executive Directors and the Independent Directors are able to exercise strong independent judgement and provide balance to the Board with their unbiased and independent views, advice and judgement in all Board deliberations. The composition of the Board continues to provide the Group with a wealth of knowledge and experience to draw from a comprehensive mix of skills which includes financial, technical, public relations, accountancy, legal and business expertise that is important for the continued successful direction of the Group.

The Board took cognisance of the Code and to be in line with Practice 4.1 of the Code, the Board plans to increase the number of independent directors on the Board so that in due course, the majority of the Board will be made up of Independent Directors.

Annual Assessment of Independent Directors

The Independent Non-Executive Directors play a crucial role in bringing objectivity to the decisions made by the Board. They provide independent judgement, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all stakeholders are taken into account and that the relevant issues are subjected to objective and impartial consideration by the Board.

All Independent Directors are required to assess their level of independence annually by completing the form of annual assessment of independence of independent directors for submission to the Nomination Committee for review and assessment. The Chairman of the Nomination Committee shall then report the findings and/or recommendations to the Board.

For the financial year ended 31 December 2017, each of the 4 Independent Non-Executive Directors had provided an annual confirmation of his/her independence to the Board based on its policy on criteria of assessing independence in line with the definition of "independent directors" prescribed by the Listing Requirements. The Nomination Committee and the Board had assessed the 4 Independent Non-Executive Directors of the Company, namely Datuk Jaswant Singh Kler, Dato' Jasmy bin Ismail, Selina binti Yeop Junior @ Lope and Yap Boon Teck and were satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company. Each Independent Director has retained their independence throughout the tenure and had not in any circumstances formed any association with management that might compromise their ability to exercise independent judgement.

Tenure of Independent Director

The Board believes that the interests of all stakeholders are best served if its composition includes a blend of experience and tenure among Directors.

Datuk Jaswant Singh Kler, an eminent planter, has made a significant contribution to the Board during his tenure as Independent Non-Executive Director. His in-depth knowledge of the Group's businesses with extensive experience in plantation, cultivation and general management as well as stewardship of public listed company continues to add value to the Board.

The Board does not, therefore, believe that his length of service will materially interfere with his ability to exercise independent judgment or to act in the best interest of the Group. In that relation, the Board had put forward the proposal to retain Datuk Jaswant Singh Kler as Independent Non-Executive Director at the preceding Annual General Meeting ("AGM") held on 25 May 2017 and it was approved by the shareholders.

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Diversity

The Board acknowledges the importance of Board diversity, including gender, ethnicity, age and business experience, to the effective functioning of the Board. While it is important to promote such diversity, the normal selection criteria of a Director, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board should remain a priority so as not to compromise on effectiveness in carrying out the Board's functions and duties.

While the Board does not have a specific policy on setting targets for women candidates and ethnicity, the Board will as best as it can, ensure that its composition not only reflects the diversity as recommended by the Code but also has the right mix of skills and balance to contribute to the achievement of the Group's goals. The Board, through its Nomination Committee will evaluate and match the criteria of future potential nominees to the Board as well as considering the boardroom diversity.

The Board, through its Nomination Committee will continue to review the balance, experience and skills of the Board, paying attention to the Board's gender diversity.

The Company practices equal employment opportunities to all qualified individuals to create a workforce that is fair and inclusive and seeks to retain and attract the best people to do the job. The Company rewards and promotes employees based on assessment of individual performance, capability and potential. The Company is committed to providing opportunities that allow individuals to reach their full potential irrespective of individual background or difference.

Summary of the gender and age mix of our workforce (palm bio-integration and forest management divisions) is disclosed on page 24 of the Sustainability Report 2017.

Appointment of New Directors

A formal and transparent procedure has been established for the appointment of new Directors to the Board and the Nomination Committee is empowered to identify and recommend suitable Directors to fill new positions created by expansion and vacancies that occur by resignation, retirement or for any other reason.

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from:

(a) the Group Managing Director, other Directors or shareholders for executive positions;

(b) Non-Executive and/or Independent Directors or non major controlling shareholders for non-executive positions; and

(c) external parties including the Company's contacts in related industries as well as independent sources such as women directors' registry, finance, legal and accounting professions.

The Nomination Committee has added the above Part (c) in its terms of reference in February 2018 to be in line with Practice 4.6 of the Code.

A comprehensive and independent assessment of the candidate will be conducted by the Nomination Committee without any influence from the major controlling shareholders, Group Managing Director or Executive Directors.

In considering candidates as potential Directors, the Nomination Committee takes into account the following criteria:

- skills, knowledge, expertise and experience;
- character, integrity and professionalism;
- perceived ability to work cohesively with other members of the Board;
- number of directorships and other external obligations which may affect the Director's commitment, including time commitment and value contribution;

Corporate Governance Overview Statement

- diversity in age, gender and experience/background; and
- such other relevant factors as may be determined by the Nomination Committee which would contribute to the Board's collective skills,

whilst taking into account the current and future needs of the Company, boardroom diversity and other soft attributes required as Directors.

There is no change to the composition of the Board during the financial year.

III FOSTER COMMITMENT

Time Commitment

The Board has adopted a policy whereby all its Board members are required to notify the Chairman of the Board before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

A schedule of Board and Board Committee meetings set for a whole financial year is prepared in advance and tabled to the Board for approval before the commencement of a new financial year to enable the Directors to plan ahead and allocate time in their respective schedules.

During the financial year, the Board met 4 times, whereat it deliberated and considered various matters including the Group's financial results, major investment and strategic decisions, business plan and direction of the Group. Details of attendance of each Board member are as follows:

Name	27/02/17	24/05/17	24/08/17	22/11/17	TOTAL
Datuk (Dr.) Kelvin Tan Aik Pen	√	√	√	√	4/4
Dato' Tan Aik Sim	√	√	√	√	4/4
Datuk Jaswant Singh Kler	√	√	√	√	4/4
Dato' Jasmy bin Ismail	√	–	√	√	3/4
Selina binti Yeop Junior @ Lope	√	√	√	√	4/4
Yap Boon Teck	√	√	√	√	4/4
Tan Aik Kiong	√	–	√	√	3/4
Chew Siew Yeng	√	√	√	√	4/4
Tan Aik Yong	√	–	√	√	3/4
Lim Fook Hin	√	√	√	√	4/4

The Directors' commitment to carry out their duties and responsibilities is affirmed by their attendance at the Board meetings held during the financial year ended 31 December 2017. In addition to the above, all Directors of the Company have complied with the Listing Requirements of not holding more than 5 directorships in listed issuers at any given time.

Directors' Training

All Directors receive full and appropriate briefing on first appointment, with subsequent updating as necessary. They were also provided with a Directors' manual containing amongst others, the background information on TSH Group, TSH Guidelines and other relevant policies for their reference.

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All Directors had attended the Mandatory Accreditation Programme ("MAP"). The Board, through the Nomination Committee had undertaken an assessment of the training needs of each Director for the financial year under review and concluded that all Board members have vast experience and extensive knowledge in managing the core business of the Group. Nonetheless, the Directors are encouraged to attend various training programmes to ensure they keep abreast on various issues facing the changing business environment within which the Group operates to effectively discharge their duties as Directors.

For the year under review, all Directors had attended various seminars, talk, briefing and/or workshop either collectively or individually, details of which are set out in the CG Report.

IV BOARD COMMITTEES

Nomination Committee

The Board has established a Nomination Committee on 26 June 2001 and currently comprises 2 Independent Non-Executive Directors and 1 Non-Independent Non-Executive Director as follows:

- Datuk Jaswant Singh Kler (Chairman)
- Dato' Jasmy bin Ismail
- Lim Fook Hin

The Chair of the Committee is held by the Senior Independent Non-Executive Director.

The Nomination Committee is responsible for reviewing the Board's succession plans, training for Directors and assessing the effectiveness of the Board and Board Committees. The last review of the TORs of the Committee was carried out in February 2018. Details of its TORs are available on TSH's website.

Annual Assessment

The Board has adopted a formal process to be carried out by the Nomination Committee for reviewing its own effectiveness and that of its individual Directors and Board Committees and assessing the independence of its Independent Directors. The process will also take into account the fulfillment of the respective TORs of the Board and Board Committees.

Details of the evaluation process and criteria as well as summary of the activities undertaken by the Nomination Committee during 2017 are disclosed in the CG Report.

With the current Board size of 10, 3 Directors are to retire at the forthcoming AGM in accordance with Article 95 of the Company's Articles of Association. Datuk Jaswant Singh Kler who is due to retire, has expressed his intention not to seek re-election as Director of the Company. Hence, he will retain office until the conclusion of the forthcoming AGM. In view thereof, the Directors who are due for retirement and re-election pursuant to Article 95 of the Company's Articles of Association are Selina binti Yeop Junior @ Lope, Tan Aik Kiong and Lim Fook Hin. The Nomination Committee has recommended their re-election at the forthcoming AGM.

Future priorities of the Nomination Committee include the following:

- reviewing the overall composition of the Board, in terms of the appropriate size, skills, experience and qualification, paying attention to the Board's gender diversity and number of Independent Directors.
- consider the engagement of external Board evaluation facilitator/consultant.

Corporate Governance Overview Statement

Remuneration Committee

The Board has established a Remuneration Committee on 26 June 2001 and currently comprises 2 Independent Non-Executive Directors and 1 Non-Independent Non-Executive Director as follows:

- Datuk Jaswant Singh Kler (Chairman)
- Selina binti Yeop Junior @ Lope
- Lim Fook Hin

The Remuneration Committee's primary responsibility is to recommend to the Board the remuneration of the Executive Directors and senior management staff at director level in all its forms, drawing from outside advice as necessary.

The Remuneration Committee assists the Board in developing a policy on remuneration of Directors to attract and retain Directors and ensure that rewards and remuneration packages are commensurate with each of their expected responsibilities and contribution to growth and profitability of the Company.

The remuneration of the Executive Directors is structured on the basis of linking rewards to corporate and individual performance. The Executive Directors play no part in deciding their own remuneration and the Directors concerned shall abstain from all discussion pertaining to their remuneration.

The level of remuneration for Non-Executive Directors reflects the experience and level of responsibilities. The Board as a whole determines the remuneration package of Non-Executive Directors. The annual Directors' fees payable to Non-Executive Directors are subject to shareholders' approval at the AGM based on the recommendation of the Board. Additional allowances are paid to certain Non-Executive Directors in accordance with the number of meetings attended during the financial year.

Details of the remuneration of the Directors of the Company for the financial year under review are disclosed in the CG Report.

PRINCIPLE 2: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Audit Committee currently comprises 3 members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is a Senior Independent Non-Executive Director, who is not the Chairman of the Board.

The Audit Committee is authorised by the Board to investigate any matter within its TORs and to have the resources in order to perform its duties and responsibilities as set out in its TORs. The last review of the TORs of the Audit Committee was carried out in February 2018 requiring a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee. The revised TORs are made available on the Company's website at www.tsh.com.my and its report is set out in the ensuing pages of this Annual Report.

The Company's financial statements for the year ended 31 December 2017 are prepared in accordance with the provisions of the Act and applicable financial reporting standards in Malaysia. The Board is responsible to ensure that the financial statements give a true and fair view and balanced and understandable assessment of the state of affairs of the Company and of the Group. The Statement of Directors' Responsibilities in respect of the preparation of the annual audited financial statements is set out in the ensuing pages of this Annual Report.

The Audit Committee assists the Board to review the adequacy and integrity of the Group's financial administration and reporting, internal control and risk management systems.

During the year under review, the Audit Committee reviewed the Company's quarterly results and annual financial statements prior to recommending them for the Board's approval and release to public through Bursa LINK.

The Chief Financial Officer presented the Company's quarter-to-quarter and year-to-date financial performance against budget as well as performance of each business segment. The Chief Financial Officer also provided assurance to the Audit

Corporate Governance Overview Statement

Committee that adequate processes and controls were in place for an effective and efficient financial statement close process, that appropriate accounting policies had been adopted and applied consistently and that the relevant financial statements gave a true and fair view of the state of affairs of the Group.

In addition, the Head of Internal Audit also undertook independent assessment of the system of internal control and assured the Audit Committee that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

Assessment of Suitability and Independence of External Auditors

The Board through the Audit Committee maintains a formal and transparent relationship with the Company's external auditors. The external auditors are invited to attend the Audit Committee meetings and AGMs and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

The Audit Committee undertakes annual independent assessment of the external auditors, details of which are disclosed in the CG Report. The Audit Committee continually reviews the nature and extent of non-audit services provided to the Group by the external auditors to ensure that external auditors' independence and objectivity are safeguarded. The external auditors would also provide written assurances to the Audit Committee on their independence.

Overall, the Audit Committee was satisfied with the suitability of BDO as external auditors of the Group based on the quality of audit services and sufficiency of resources they provided to the Group.

Risk Management and Internal Audit

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

The Board has established framework & policies to ensure that risk management and internal controls across the various risk classes are managed within risk appetite set by the Board. To ensure their continuous effectiveness, the framework and policies are reviewed periodically, and when there are significant regulatory changes.

The Company has put in place a comprehensive systems of internal control which is embodied within the Standard Operating Procedures covering financial controls, operational and compliance controls and risk management. Some of the systems have been in place over the years and will continue to be reviewed, added on or updated in line with the changes in the operating environment. The Board seeks regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by the internal and external auditors. Information on the Group's internal control and risk management are presented in the Statement on Risk Management and Internal Control.

In addition to routine business, the Audit Committee through the internal audit function, actively reviews:

- whether the systems in place are being followed;
- risk register at every meeting as on-going process for risk identification and assessment on Group's operation; and
- audit findings are discussed with management for execution and implementation.

The Company has established an internal audit function which reports directly to the Audit Committee. The internal audit department communicates regularly with the members of the Audit Committee and the Head of Internal Audit is invited to attend meetings of the Audit Committee. Internal audit activities, all of which are risk-based, are performed by a team of appropriate, qualified and experienced employees. Further information on internal audit function is set out in the Audit Committee Report of this Annual Report and CG Report.

Corporate Governance Overview Statement

PRINCIPLE 3: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Stakeholder Engagement

TSH Group is committed to engaging all stakeholders in a timely, effective and transparent manner. The Group has established a comprehensive website at www.tsh.com.my, which includes a dedicated section on Investor Relations, to support its communication with the investment community. Investor queries may be directed to our Executive Director, Frederick Tan Aik Yong at fredtan@tsh.com.my. Stakeholders who wish to reach the respective divisions of the Group can do so through the 'Contact Us'.

The stakeholder groups whose activities could have significant impact on our business are carefully identified and are engaged at various platforms and intervals throughout the year. A variety of engagement initiatives including direct meetings and dialogues with community are constantly conducted. We also actively seek solutions to grievances and disputes through negotiations and other due processes. Our Sustainability Team has a dedicated section to address any enquiries or grievances relating to sustainability issues. Details on the stakeholders engagement can be found on our Sustainability Report 2017.

Corporate Disclosure Policy

The Company's Corporate Disclosure Policy is designed to ensure the timely release of material price-sensitive information to the market. This policy establishes procedures to ensure that Directors and employees are aware of the Company's disclosure obligations and procedures, and have accountability for the Company's compliance with those obligations.

The Company has also put in place the precautions to be observed in order to keep the information completely confidential. The Board is mindful that information which is expected to be material must be announced immediately.

Leverage on Information Technology

The Company maintains a website at www.tsh.com.my for shareholders and the public to access information on amongst others, the Company's background, business activities and products, annual reports, corporate responsibility, shareholders' rights, updates on its various news and events and financial performance. In addition, the Board has also established a dedicated section for corporate governance on the Company's website where information on the Board Charter, shareholders' rights, code of ethics and conducts and whistle blowing may be accessed.

The Board also encourages other channel of communication with shareholders. For this purpose, shareholders and other stakeholders may convey their concerns relating to the Company to the Senior Independent Non-Executive Director, Datuk Jaswant Singh Kler. At all times, shareholders may contact the Company Secretary for information on the Company.

Encourage Shareholder Participation at General Meetings

The AGM is the principal forum for dialogue with shareholders, who are given the opportunity to enquire and seek clarification on the operations and financial performance of the Group. Hence, the Chairman and the Board encourage shareholders to attend and participate in the AGM and any general meetings of the shareholders. Barring any unforeseen circumstances, all Directors have always used their best endeavours to attend general meetings. The Chairman of the Audit, Nomination and Remuneration Committees was also available to provide meaningful response to any question raised by shareholders.

In line with Practice 12.1 of the Code, Notice for the forthcoming AGM and a copy of the Company's abridged annual report are sent out to shareholders at least 28 days before the meeting. The shareholders are given the opportunity to seek clarification on the Company's financial statements and other items for adoption at the meeting before putting a resolution to vote. The Chairman also shared with the shareholders on the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group ("MSWG"). It has always been the practice for the Chairman to provide ample time for the Q&A sessions in the AGMs and for suggestions and comments by shareholders to be noted by management for consideration. Members of the Board as well as the external auditors and representatives from the share registrars of the Company are present to answer questions raised at the meeting.

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ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

As at 31 December 2017, the proceeds of RM41,250,000 raised from the private placement of 25,000,000 ordinary shares in 2017 were utilised by the Company as follows:

Utilisation of Proceeds	RM'000
1) Working Capital	31,132
2) Expenses for private placement exercise	37
TOTAL	**31,169**

2. Audit and Non-Audit Fees

The amount of fees paid/payable to the external auditors, Messrs BDO and its affiliates in relation to the audit and non-audit services rendered to the Company and the Group for the financial year ended 31 December 2017 are as follows:

	Company RM	Group RM
Audit fees	125,000	756,000
Non-audit fees	-	5,000

3. Material Contracts

During the financial year under review, save as disclosed in the sections under Recurrent Related Party Transactions set out in the ensuing pages of this Annual Report, there were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests which were still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

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4. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the last AGM of the Company held on 25 May 2017, the Company had obtained a mandate from its shareholders ("Shareholders Mandate") to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature ("Recurrent Transactions"). In accordance with Paragraph 10.09(2)(b) of the Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 December 2017 pursuant to the Shareholders' Mandate are as follows:

Name of Companies	Related Parties	Class of Related Party	Nature of Recurrent Transactions	Aggregate value of transactions made during the financial year (RM)
TSH Plantation Sdn. Bhd. ("TSHP") and TSH Plantation Management Sdn. Bhd. ("TSHPM") (Seller)	TSH-Wilmar Sdn. Bhd. ("TSH-W") (Buyer)	TSH-W is a joint venture company in which TSH Resources Berhad ("TSH") holds 50% equity interest. Datuk (Dr.) Kelvin Tan Aik Pen is a Director and substantial shareholder of TSH. He also holds directorship in TSH-W. Tan Aik Kiong is a Director and shareholder of TSH and also holds directorships in TSHP, TSHPM and TSH-W. Dato' Tan Aik Sim and Tan Aik Yong are Directors and shareholders of TSH. Both of them are persons connected to Datuk (Dr.) Kelvin Tan Aik Pen and Tan Aik Kiong. Tan Soon Hong, Ong Yah Ho, Tan Ah Seng, Tan Aik Choon, Tan Ek Huat, Tan Aik Hwa and Chin Chui Fong are shareholders of TSH and persons connected to Datuk (Dr.) Kelvin Tan Aik Pen and Tan Aik Kiong. Tan Soon Hong, Tan Aik Choon, and Tan Ek Huat are also directors of certain TSH subsidiaries.	Sale of crude palm oil	425,770,013
TSHP and TSHPM (Seller)	TSH-W (Buyer)	Same as disclosed above	Sale of palm kernel	96,669,500

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Name of Companies	Related Parties	Class of Related Party	Nature of Recurrent Transactions	Aggregate value of transactions made during the financial year (RM)
TSHPM (Buyer)	Serijaya Industri Sdn. Bhd. ("SJI") (Seller)	SJI is a wholly-owned subsidiary of Innoprise Plantations Berhad ("Innoprise"). TSH is a substantial shareholder of Innoprise. Datuk (Dr.) Kelvin Tan Aik Pen is a substantial shareholder and Director of TSH. He is also a director of Innoprise and SJI and shareholder of Innoprise. Tan Aik Kiong is a Director of TSH, TSHPM and shareholder of TSH. He is also an Alternate Director and shareholder in Innoprise. Dato' Tan Aik Sim and Tan Aik Yong are Directors and shareholders of TSH. Both of them are persons connected to Datuk (Dr.) Kelvin Tan Aik Pen and Tan Aik Kiong. Tan Soon Hong, Ong Yah Ho, Tan Ah Seng, Tan Aik Choon, Tan Ek Huat, Tan Aik Hwa and Chin Chui Fong are shareholders of TSH and persons connected to Datuk (Dr.) Kelvin Tan Aik Pen and Tan Aik Kiong. Tan Soon Hong, Tan Aik Choon and Tan Ek Huat are also directors of certain TSH subsidiaries.	Purchase of fresh fruit bunches	1,034,777
TSHPM (Buyer)	SJI (Seller)	Same as disclosed above	Purchase of palm kernel	Nil

This statement has been reviewed and approved by the Board of Directors on 27 February 2018.

Statement on Risk Management and Internal Control

The Board of Directors of TSH ("Board") is pleased to provide the following Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Set out below is the Board's Statement on Risk Management and Internal Control which outlines the nature and state of internal control of the Group during the year under review, and up to the date of this Annual Report.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the establishment of the Group's system of internal control as well as periodically reviewing its adequacy and integrity to safeguard shareholders' investments, customers' interests and Group assets. However, such a system can only reduce but not eliminate the possibility of poor judgment in decision making, human error, occurrences of unforeseeable events and circumvention of controls by employees. Accordingly, such a system can be expected to provide only reasonable but not absolute assurance against material misstatement, operational failures and fraudulent activities. The concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

RISK MANAGEMENT

Risk management is regarded by the Board as an important aspect of the Group's operations with the objective of maintaining a sound system of internal control to ensure that the Group's assets are well protected and shareholders' value are enhanced.

TSH has established an Enterprise Risk Management framework for managing and monitoring key risks that affecting its business operations. Within the framework, the Board of Directors retains the overall risk management responsibility by performing risk oversight and delegate day-to-day decisions to the Group Managing Director and Senior Management team. Besides, the Group Internal Auditors also independently examine and verify the risk management framework for its completeness and reliability.

The Board confirms that there is a process for identifying, evaluating and managing significant risks faced by the Group, and the same has been in place for the financial year under review and up to the date of this Annual Report and financial statements.

Consequently, the Group has also undertaken the following to enhance its risk management practices:

- Formalisation of the Group's risk management policy and procedures and adopted a structured approach towards identifying, measuring and managing significant risks faced by the Group.
- Management of the Group operates a risk management process that identifies key risks of each operating unit, assessing the likelihood and impact of material exposures and puts in place adequate controls to mitigate the risks identified.
- Standard operating procedures that cover key aspects of the Group's various processes are formalised. These procedures are subjected to review on periodic basis to cater for process changes and changing risks.

INTERNAL CONTROL

The process is periodically reviewed by the Board through the Audit Committee and is guided by the publication – Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control.

The key processes that the Directors have established with regards to the system of internal control are as follows:-

- Organisational structure with defined reporting line.
- Clearly documented standard operating procedures covering key processes are adopted. These established procedures define the level of authorities and lines of responsibilities from operating units up to the Group corporate level to ensure accountabilities for risk management and control activities.

Statement on Risk Management and Internal Control

- Corporate policy on zero tolerance pertaining to fraud and criminal breach of trust.
- Comprehensive budgeting and forecasting system is established. Each operating unit submits a budget annually for approval by the Board. The actual results are reported, analysed and monitored against the budget.
- Comprehensive management and financial information are provided to the Board to facilitate decision making.
- Regular Board and Management meetings to assess performance of key Management staff.
- Regular Board and Management meetings to assess the Group's performance and continually monitor the adequacy and integrity of the internal control framework.
- Group Internal Audit function is established to assist in providing assurance on the effectiveness of the internal control system within the Group. Internal auditors conduct regular visits to review the effectiveness of the control procedures in place and to ensure accurate and timely financial management reporting.
- The Group's internal audit department reports directly to the Audit Committee. Upon conducting reviews on the system of internal control and effectiveness of processes that are in place, internal audit reports are prepared and presented to the Audit Committee on a quarterly basis or earlier, as appropriate.
- The internal audit function adopts a risk-based approach and prepares its audit plan based on the risk profiles of the key business units of the Group after taking into consideration input of Senior Management and the Audit Committee.
- Internal audit department also conducts subsequent follow-up review to ensure Management has dealt with audit recommendations and taken appropriate actions satisfactorily.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have performed limited assurance procedure on the Statement on Risk Management and Internal Control pursuant to the scope set out in Audit Assurance and Practice Guide 3 ("AAPG 3"), *Guidance for Auditors on Engagements to report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysia Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that causes them to believe the Statement on Risk Management and Internal Control intended to be included in the Annual Report is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is the Statement on Risk Management and Internal Control factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

CONCLUSION

The Board has reviewed the adequacy and effectiveness of the risk management and internal control system through the above activities and is not aware of any significant weaknesses or deficiencies in the Group's risk management and internal control practices for the year under review and to the date of this report. The Board has also obtained assurance from the Group Managing Director and the Chief Financial Officer that the risk management and internal control system is in place and operating effectively.

This Statement on Risk Management and Internal Control does not cover associate and joint ventures where the internal control systems of these companies are managed by the respective management teams.

This statement has been reviewed and approved by the Board of Directors on 4 April 2018.

Audit Committee Report

The Board is pleased to present the following report on the Audit Committee and its activities for the financial year ended 31 December 2017.

AUDIT COMMITTEE COMPOSITION AND MEETINGS

As at the date of this report, the Audit Committee comprises three members, all of whom are Independent Non-Executive Directors and one of them, Yap Boon Teck is a member of the Malaysian Institute of Accountants who satisfies the requirements of Paragraph 15.09(1)(c)(i) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements").

The Audit Committee met five times during the year to discharge its duties and responsibilities. Attendance of members of the Audit Committee during 2017 is shown in the table below.

Name	27/02/17	04/04/17	24/05/17	24/08/17	22/11/17	TOTAL
Datuk Jaswant Singh Kler (Chairman)	√	√	√	√	√	5/5
Dato' Jasmy bin Ismail	√	√	–	√	√	4/5
Yap Boon Teck	√	√	√	√	√	5/5

During the financial year, the Audit Committee had engaged on a continuous basis with senior management, Head of Internal Audit and the external auditors in order to keep abreast of matters and issues affecting the Group. The Audit Committee Chairman will report to the Board, matters of significant concern as and when raised by the internal and external auditors and present the Audit Committee's recommendations to the Board for approval. The Company Secretary acts as the secretary to the Audit Committee. Minutes of meeting are distributed electronically to each Board member.

TERMS OF REFERENCE

The Audit Committee is responsible amongst others, to review and monitor the system of internal control and audit process and to ensure that the Company's financial statements comply with applicable financial reporting standards as this is integral to the reliability of financial statements.

The Audit Committee is governed by its terms of reference which will be periodically reviewed and updated. In line with the release of Malaysian Code on Corporate Governance 2017, the Audit Committee has revised its terms of reference on 27 February 2018 to include a policy requiring a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. The revised terms of reference is made available on the Company's website at www.tsh.com.my.

Audit Committee Report

REVIEW OF THE AUDIT COMMITTEE

An annual assessment and evaluation on the performance and effectiveness of the Audit Committee was undertaken by the Board of Directors through its Nomination Committee for the financial year ended 31 December 2017. The Audit Committee was assessed based on the following six key areas and the Board was satisfied that the Audit Committee had carried out its duties and functions in accordance with its terms of reference.

i) Composition and quality

ii) Process and procedures

iii) Communications and information

iv) Oversight of the financial reporting process including internal controls

v) Oversight of audit functions

vi) Financial literary

TRAINING

For the year under review, all members of the Audit Committee had attended various seminars, talk, briefing and/or workshop either collectively or individually, details of which are set out in the CG Report.

SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee discharged its functions and carried out its duties as set out in its terms of reference. Summary of work undertaken by the Audit Committee during the financial year encompassed the following:

1. Financial Reporting and Compliance

The Audit Committee reviewed the unaudited quarterly financial statements and annual audited consolidated financial statements to ensure compliance with the Financial Reporting Standards ("FRSs"), the requirements of the Companies Act 2016 and Paragraph 9.22, including Appendix 9B of the Listing Requirements, focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events and significant adjustments resulting from the audit.

The Audit Committee's recommendations were presented at the respective Board meetings held subsequently for approval.

To safeguard the integrity of financial statements of TSH, the Chief Financial Officer had given assurance to the Audit Committee that:

(a) adequate processes and controls were in place for an effective and efficient financial statement close process;

(b) appropriate accounting policies had been adopted and applied consistently;

(c) the relevant financial statements gave a true and fair view of the state of affairs of the TSH Group;

(d) the going concern basis applied in the annual financial statements and condensed consolidated financial statements was appropriate; and

(e) prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the FRSs and Listing Requirements.

Audit Committee Report

During the year, the Audit Committee reviewed and discussed with the external auditors the new financial reporting standards ("FRSs") and amendments to the FRSs, details are reflected in the financial statements of this Annual Report. The adoption of these new FRSs is not expected to have a material impact on the financial statements of the Group and the Company.

2. External Audit

At the Annual General Meeting held on 25 May 2017, the shareholders had approved the re-appointment of Messrs BDO as auditors of the Company.

During the year under review, the Audit Committee had 3 meetings and 2 private sessions with Messrs BDO. The private sessions were held without the presence of the Executive Directors, management or internal auditors. The Audit Committee reviewed with Messrs BDO on matters relating to the audit of the statutory accounts, audit report and recommendations made by them in their management letter and the adequacy of management's responses thereto. The Audit Committee also reviewed the non-audit services provided by Messrs BDO and the aggregate amount of fees paid to them taking into consideration of the process and requirements including fee threshold established under the policy and was satisfied that they were not likely to create any conflicts of interest nor impair the independence and objectivity of the external auditors. As acknowledged by the external auditors, the Audit Committee was satisfied with the cooperation extended by management during the course of audit.

In the private sessions held with Messrs BDO, the Audit Committee discussed the audit findings and other observations the external auditors may have during their audit process. There were no major concerns raised by the external auditors at the meetings.

In November 2017, the Audit Committee reviewed the 2017 audit planning memorandum prepared by Messrs BDO outlining their scope of work, approach which includes the procedures to be performed by the external auditors during their annual visits to the Group's estates/mills/power plants in Sabah, deliverables and proposed fees for the statutory audit and non-statutory audit. The Audit Committee had also reviewed and discussed the key audit matters, details are reflected in the financial statements of this Annual Report.

The external auditors had provided written confirmations of their independence to the Audit Committee 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.

In April 2018, the Audit Committee evaluated the performance of the external auditors based on 4 key areas, namely quality of service, sufficiency of resources, communication with management and independence, objectivity and professionalism. The Audit Committee assessed the performance of the lead engagement partner and his engagement team based on the private sessions held between the Audit Committee and the external auditors. The Audit Committee had also invited management to join the assessment as they had substantial contact with the external audit team throughout the year. Being satisfied with the external auditors' performance, technical competency, audit independence, adequacy of experience and resources of the firm as well as active engagement during the audit process, the Audit Committee recommended to the Board for approval of the re-appointment of Messrs BDO as external auditors of the Company for the financial year ending 31 December 2018.

Audit Committee Report

3. Internal Audit

The Audit Committee reviewed and approved the annual audit plan for 2017 having regard to the adequacy of scope and coverage of the activities of the Group. The internal audit team conducted the audit activities based on the audit plan approved by the Audit Committee.

The Head of Internal Audit attended the Audit Committee meetings and presented on inter-alia, summaries of the audit reports issued, audit recommendations provided by the internal auditors and management's response thereto and corrective actions taken by management on audit issues raised by the internal auditors.

The Audit Committee also reviewed the performance appraisal of the internal audit members and was generally satisfied with the performance of the internal audit function.

4. Recurrent Related Party Transactions

All recurrent related party transactions entered into by the Group were reviewed by the Audit Committee to ensure that they were conducted on an arm's length commercial term and rate. Reporting system and procedures were also reviewed to ascertain that the established guidelines and procedures have been complied with.

5. Other Matters

The Audit Committee reviewed and evaluated the questionnaires completed by the Chief Financial Officer on information relating to risk and control environment of the Group. With the assistance of the internal audit department which reports directly to the Audit Committee, the Audit Committee completed its review of the adequacy and effectiveness of the Group's systems of internal control and reported its findings and recommendations to the Board. The Audit Committee was satisfied that controls in place are adequate and functioning properly to address the risks. The Audit Committee was also satisfied with the assurance provided by the Head of Internal Audit that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

The Audit Committee also reviewed the final dividend proposed by management to ensure consistency with the Company's long term dividend payout policy, taking into account the Company's profits, cash flow and capital investment requirements before recommending the same to the Board for approval.

The Statement on Risk Management and Internal Control and the Audit Committee Report for inclusion in this Annual Report were reviewed by the Audit Committee prior to Board's approval.

FOCUS AREAS IN 2018

The following are the focus areas of the Audit Committee for 2018 in addition to its routine business:

- review the progress of the implementation and assessment of impact of MFRSs 9, 15, 16 and 141; and
- review Key Audit Matters (KAMs) raised by the external auditors.

Audit Committee Report

INTERNAL AUDIT FUNCTION

The Company established an Internal Audit Department in July 2001 which reports directly to the Audit Committee on a quarterly basis. The Internal Audit Department assists the Audit Committee in the discharge of its duties and responsibilities. Its key role is to provide independent and objective assurance designed to add value and assist the Group in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The internal audit activities, all of which are risk-based were established after taken into consideration of the key business units of the Group and input from senior management and the Audit Committee members.

Every quarter, the Internal Audit Department submits a report on their audit findings and recommendations to the Audit Committee for its review and deliberation. The Head of Internal Audit attends these meetings to present the internal audit findings and makes appropriate recommendations on areas of concern within the Company and the Group.

For the year under review, the activities undertaken by internal audit are as follows:

1. Developed an annual audit plan using a risk-based approach, taking into consideration of the key business units of the Group and input from senior management and the Audit Committee members.
2. Provided independent assessment and objective assurance over the adequacy and effectiveness of risk management and internal control processes via structured reviews of units and operations identified in the annual audit plan.
3. Provided independent and objective reviews of the adequacy and relevance of internal controls enforced to mitigate the risk exposures.
4. Ascertained the level of compliance with established policies and procedures of the Company.
5. Recommended improvements and enhancements to the existing system of internal controls and work procedures/processes.

Statement of Directors' Responsibilities in Respect of the Audited Financial Statements

The Board of Directors is required under Paragraph 15.26(a) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements") to issue a statement on its responsibility in the preparation of the annual audited financial statements.

The Directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for the financial year which give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

In preparing the financial statements, the Directors have:

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

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

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

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Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, oil palm cultivation and forest plantation. The principal activities of the subsidiaries are stated in Note 22 to the financial statements and are primarily involved in oil palm cultivation and processing. There have been no significant changes in the nature of these activities during the financial year.

RESULTS	Group RM'000	Company RM'000
Profit/(Loss) for the financial year	142,163	(79,629)
Attributable to:		
Owners of the Company	114,978	(79,629)
Non-controlling interests	27,185	-
	142,163	(79,629)

DIVIDENDS

Dividends paid, declared or proposed by the Company since the end of the previous financial year were as follows:

	Company RM'000
In respect of the financial year ended 31 December 2016	
First and final single tier dividend of 2.0 sen per ordinary share, paid on 16 June 2017	27,136

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2017, of 2.0 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than the effects of adoption of Companies Act 2016 as disclosed in Note 34 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the current financial year, the Company increased its number of issued and fully paid-up ordinary shares from 1,345,412,443 to 1,381,802,509 by way of issuance of:

(i) 11,390,066 ordinary shares at RM1.92 each pursuant to privatisation of a subsidiary, Ekowood International Berhad, undertaken by the Company; and

Directors' Report

ISSUE OF SHARES AND DEBENTURES (*continued*)

During the current financial year, the Company increased its number of issued and fully paid-up ordinary shares from 1,345,412,443 to 1,381,802,509 by way of issuance of: (*continued*)

(ii) 25,000,000 ordinary shares for private placement at RM1.65 each for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

TREASURY SHARES

As at 31 December 2017, the Company had 4,000 of ordinary shares held as treasury shares with a carrying amount of RM8,607. The details of treasury shares are disclosed in Note 34 to the financial statements.

The Company did not make any purchase of its own shares during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors who have held for office since the date of the last report are as follows:

TSH Resources Berhad

Datuk (Dr.) Kelvin Tan Aik Pen

Dato' Tan Aik Sim

Datuk Jaswant Singh Kler

Dato' Jasmy bin Ismail

Selina Binti Yeop Junior @ Lope

Yap Boon Teck

Tan Aik Kiong

Tan Aik Yong

Chew Siew Yeng

Lim Fook Hin

Subsidiaries of TSH Resources Berhad

Pursuant to Section 253(2) of the Companies Act 2016, the Directors of the subsidiaries of TSH Resources Berhad during the financial year and up to the date of this report are as follows:

Tan Soon Hong

Datuk (Dr.) Kelvin Tan Aik Pen

Dato' Tan Aik Sim

Datuk Jaswant Singh Kler

Tan Aik Kiong

Tan Aik Yong

Directors' Report

DIRECTORS (*continued*)

Subsidiaries of TSH Resources Berhad (*continued*)

Pursuant to Section 253(2) of the Companies Act 2016, the Directors of the subsidiaries of TSH Resources Berhad during the financial year and up to the date of this report are as follows: (*continued*)

Lim Fook Hin	
Tan Ek Huat	
Tan Aik Hwa	
Asgari Bin Tun Mohd Fuad Stephens	
Johari Imran Lok	
Lok Huey Ming	
Chen Chu Chai @ Anthony Tsen Sui Lin	
Bedi Bin Maikas	
Lemoi Binti Masilim	
Datuk Dr. Abdul Razak bin Mohd Ali	
Mapiati Bin Sullit	
Jeriol @ Douglas Joinol	
Raden Harry Zulnardy	
Karsidi	
Faudzi Bin Ahmad	
Iban Bragado Lafuente	
Michelle L. Brantley	
Fiona Lane	
Renatha Philoé	
Tan Aik Choon	
Darwin Arriega	
Haji Abdul Wahab	
Ke Jek Tiang	
Ferly Versady	
Cheong Hock Huat Andy	
Mudappathi Sugunan Nair	
Peter Dodoo	
Wong Twee Jong	
Wan Nor Azmi Bin Mat Esa	
Michael Wong Chung Hau	(appointed on 31 May 2017)
Toh Su Yin Adeline	(appointed on 1 August 2017)
Chia Ah Theng	(appointed on 12 February 2018)
Selva Thurai A/L Kalamegam	(resigned on 31 March 2017)
Dato' Abdul Latif bin Abdullah	(resigned on 24 May 2017)
Loh Toi Meei	(resigned on 31 May 2017)
Akbarkhan Bin Abdul Rahman	(retired on 24 May 2017)

Directors' Report

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2017	Allotted	Disposed	Balance as at 31.12.2017
Shares in the Company				
Direct interests:				
Datuk (Dr.) Kelvin Tan Aik Pen	167,394,239	1,307,278^	-	168,701,517
Dato' Tan Aik Sim	53,105,976	174,688^	-	53,280,664
Tan Aik Kiong	55,107,189	189,706^	-	55,296,895
Tan Aik Yong	53,654,712	175,105^	-	53,829,817
Lim Fook Hin	1,602,000	-	-	1,602,000
Datuk Jaswant Singh Kler	-	6,250^	-	6,250
Indirect interests:				
Tan Aik Kiong	27,000	125^	-	27,125
Lim Fook Hin	4,500,000	-	-	4,500,000
Chew Siew Yeng	210,000	-	-	210,000
Shares in the subsidiary - Ekowood International Berhad ("Ekowood")				
Direct interests:				
Datuk (Dr.) Kelvin Tan Aik Pen	6,274,939	-	(6,274,939)*	-
Dato' Tan Aik Sim	838,506	-	(838,506)*	-
Datuk Jaswant Singh Kler	30,000	-	(30,000)*	-
Tan Aik Kiong	910,592	-	(910,592)*	-
Tan Aik Yong	840,506	-	(840,506)*	-
Indirect interests:				
Tan Aik Kiong	600	-	(600)*	-

^ *Shares allotted pursuant to the privatisation of Ekowood by the Company undertaken by way of a scheme of arrangement under Section 176 of Companies Act, 1965 in Malaysia as consideration to all shareholders of Ekowood other than the Company.*

* *Transfer of Ekowood's shares to the Company pursuant to the privatisation of Ekowood.*

None of the other Directors in office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year.

Directors' Report

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than deemed benefits arising from related party transactions as disclosed in Note 43 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 14 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company did not effect any Directors' liability insurance during the financial year. There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

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

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

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

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

(iii) 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.

Directors' Report

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (*continued*)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (*continued*)

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 45 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2017 are disclosed in Note 12 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

....
Dato' Tan Aik Sim
Director

....
Tan Aik Yong
Director

Kuala Lumpur
4 April 2018

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 72 to 166 have been drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Dato' Tan Aik Sim
Director

Tan Aik Yong
Director

Kuala Lumpur
4 April 2018

Statutory Declaration

I, Michael Wong Chung Hau, being the officer primarily responsible for the financial management of TSH Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 72 to 166 are, to the best of my knowledge and belief, 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 at)
Kuala Lumpur, this)
4 April 2018)

Michael Wong Chung Hau
MIA 10383

Before me:

PESURUHJAYA SUMPAH
W 465
KAPT (B) JASNI BIN YUSOFF
1 JAN 2018 - 31 DIS 2018
MALAYSIA

Lot 1.08, Tingkat 1
Bangunan KWSP, Jln Raja Laut
50350 Kuala Lumpur
Tel: 019 6680745

Independent Auditors' Report To The Members Of TSH Resources Berhad
(Incorporated in Malaysia)

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements of TSH Resources Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 166.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards ("FRSs") 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 ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

a. Recoverability of plasma receivables

As at 31 December 2017, the Group had plasma receivables amounted to RM52,134,000, which was net of impairment losses of RM10,135,000. The details of plasma receivables and its credit risk have been disclosed in Note 26 to the financial statements.

There has been further allowance for impairment on plasma receivables amounted to RM432,000 in the current financial year.

The determination of whether plasma receivables is recoverable involves significant management judgement. In such cases, management uses judgement, based on specific known facts or circumstances.

Independent Auditors' Report To The Members Of TSH Resources Berhad *(continued)*

(Incorporated in Malaysia)

Key Audit Matters (*continued*)

a. Recoverability of plasma receivables (*continued*)

Audit response

Our audit procedures, with the involvement of the component auditors, included the following:

i. challenged assessments performed by management and assessed recoverability of debts based on historical trends and expectation of repayment patterns from plasma receivables, either through funding from banks and/or cash flows from plasma receivables through the sales of fresh fruit bunches;

ii. vouched to offer letters from banks that provide funding to plasma receivables during and subsequent to the end of the reporting period for its effect, if any, in reducing amounts outstanding as at the end of the reporting period; and

iii. assessed and challenged reasonableness of discount rate used in calculating the present value of long term plasma receivables over their expected repayment periods.

b. Impairment assessment of property, plant and equipment

As stated in Note 18(j) to the financial statements, certain subsidiaries are loss making and they collectively held RM58,860,000 in carrying amount of property, plant and equipment as at 31 December 2017. As these subsidiaries are loss making, an impairment indicator arose and the management has performed impairment assessments on these Cash Generating Units ("CGUs").

We have focused on the impairment assessments, whereby the value in use model was used, as the process is complex and they require significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the CGUs in determining their recoverable amounts. These key assumptions include forecast growth in future revenue and budgeted gross margins, as well as determining an appropriate pre-tax discount rate and growth rates.

Audit response

We have challenged the assumptions used by management in its impairment assessment of property, plant and equipment. Our audit procedures included the following:

i. compared cash flow projections against recent performance and assessed and challenged the key assumptions used in the projections by comparing to actual gross margins and growth rates;

ii. compared prior period projections to actual outcomes to assess reliability of management's forecasting process;

iii. verified gross profit margins and growth rates by assessing evidence available to support these key assumptions;

iv. verified pre-tax discount rate used for each CGU by comparing to the weighted average cost of capital of the Group and relevant risk factors; and

v. performed sensitivity analysis to stress test the key assumptions in the impairment model.

c. Impairment assessment of the carrying amount of investments in subsidiaries

As stated in Note 22(b) to the financial statements, certain subsidiaries are loss making and the carrying amount of investments in these subsidiaries amounted to RM139,104,000 as at 31 December 2017, which was net of impairment losses of RM8,999,000. As these subsidiaries are loss making, an impairment indicator arose and the management has performed impairment assessments on these subsidiaries.

Independent Auditors' Report To The Members Of TSH Resources Berhad *(continued)*
(Incorporated in Malaysia)

Key Audit Matters (*continued*)

c. Impairment assessment of the carrying amount of investments in subsidiaries (*continued*)

The determination of recoverable amounts requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the subsidiaries. In this instance, the recoverable amount is based on value-in-use. These key assumptions include forecast growth in future revenue and budgeted gross margins, growth rates, terminal values as well as determining an appropriate pre-tax discount rate used for each subsidiary.

Audit response

Our audit procedures included the following:

(i) challenged assessment of management that no further impairment losses on investments was required based on recoverable amounts of the subsidiaries;

(ii) compared cash flow projections against recent performance and assessed and challenged the key assumptions used in the projections by comparing to actual gross margins and growth rates;

(iii) compared prior period projections to actual outcomes to assess reliability of management forecasting process;

(iv) verified gross profit margins, growth rates and terminal values by assessing evidence available to support these key assumptions;

(v) verified pre-tax discount rate used for each subsidiary by comparing to weighted average cost of capital of the Group and relevant risk factors; and

(vi) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

Independent Auditors' Report To The Members Of TSH Resources Berhad *(continued)*

(Incorporated in Malaysia)

Responsibilities of the Directors for the Financial Statements (*continued*)

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

Independent Auditors' Report To The Members Of TSH Resources Berhad *(continued)*

(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (*continued*)

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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 22 to the financial statements.

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.

BDO

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BDO
AF : 0206
Chartered Accountants

Kuala Lumpur
4 April 2018

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Tang Seng Choon
02011/12/2019 J
Chartered Accountant

Statements of Comprehensive Income for the Financial Year Ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	6	1,073,507	872,304	104,462	80,553
Cost of sales	7	(692,711)	(560,402)	(4,596)	(3,582)
Gross profit		380,796	311,902	99,866	76,971
Other items of income					
Interest income	8	14,326	13,125	53,380	71,967
Dividend income	9	4,489	625	169	625
Other income	10	49,240	15,244	3,292	73,260
Other items of expenses					
Marketing and distribution		(41,280)	(35,269)	-	-
Administrative expenses		(149,937)	(139,053)	(48,130)	(50,739)
Finance costs	11	(41,773)	(21,363)	(68,078)	(55,614)
Other expenses		(39,260)	(49,740)	(121,292)	(11,771)
Share of profit of associate, net of tax		9,187	7,170	-	-
Share of profit of joint ventures, net of tax		7,535	10,939	-	-
Profit/(Loss) before tax	12	193,323	113,580	(80,793)	104,699
Taxation	15	(51,160)	(46,521)	1,164	2,372
Profit/(Loss) for the financial year		142,163	67,059	(79,629)	107,071
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translations	15(d)	(194,939)	123,387	-	-
Item that may not be reclassified subsequently to profit or loss:					
Remeasurements of net defined benefit liabilities	15(d)	(1,902)	917	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(196,841)	124,304	-	-
Total comprehensive (loss)/income for the financial year		(54,678)	191,363	(79,629)	107,071

Statements of Comprehensive Income for the Financial Year Ended 31 December 2017 *(continued)*

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) attributable to:					
Owners of the Company		114,978	57,875	(79,629)	107,071
Non-controlling interests		27,185	9,184	-	-
		142,163	67,059	(79,629)	107,071
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(75,642)	177,186	(79,629)	107,071
Non-controlling interests		20,964	14,177	-	-
		(54,678)	191,363	(79,629)	107,071
Earnings per share attributable to owners of the Company (sen per share):					
Basic	16	8.43	4.30		
Diluted	16	8.43	4.30		

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

Statements of Financial Position
As At 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	18	770,071	824,724	121,082	122,080
Biological assets	19	1,612,386	1,625,886	295,722	296,746
Land use rights	20	181,799	201,562	-	-
Intangible assets	21	57,252	61,057	-	-
Investments in subsidiaries	22	-	-	887,027	443,277
Investment in an associate	23	85,817	80,849	61,259	61,259
Investments in joint ventures	24	73,307	75,772	20,750	20,750
Deferred tax assets	25	19,304	18,543	-	-
Other receivables	26	78,250	71,023	909,364	996,171
Investment securities	27	50	5,064	50	50
		2,878,236	2,964,480	2,295,254	1,940,333
Current assets					
Inventories	28	211,537	237,589	1,706	1,673
Trade and other receivables	26	85,864	132,846	82,667	615,171
Other current assets	29	18,386	27,456	25	39
Tax recoverable		3,976	15,923	18	648
Investment securities	27	27	19	27	19
Derivative assets	31	5,424	836	45	-
Short term funds	32	-	144	-	144
Cash and bank balances	33	139,280	131,202	41,231	83,451
		464,494	546,015	125,719	701,145
TOTAL ASSETS		3,342,730	3,510,495	2,420,973	2,641,478
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	34	740,512	672,706	740,512	672,706
Share premium	34	-	1,301	-	1,301
Treasury shares	34	(8)	(8)	(8)	(8)
Other reserves	35	69,058	263,548	27,854	31,762
Retained earnings	36	667,310	569,437	260,609	366,910
		1,476,872	1,506,984	1,028,967	1,072,671
Non-controlling interests		130,373	156,444	-	-
TOTAL EQUITY		1,607,245	1,663,428	1,028,967	1,072,671

Statements of Financial Position
As At 31 December 2017 *(continued)*

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
LIABILITIES					
Non-current liabilities					
Loans and borrowings	37	793,434	866,784	358,434	391,784
Retirement benefits	38	15,636	14,582	-	-
Other payables	39	-	-	420,177	523,732
Hire purchase payables	40	128	-	-	-
Deferred tax liabilities	25	156,021	157,443	17,968	21,080
		965,219	1,038,809	796,579	936,596
Current liabilities					
Loans and borrowings	37	649,090	663,425	381,152	401,048
Trade and other payables	39	107,302	122,700	214,275	231,015
Hire purchase payables	40	29	41	-	-
Derivative liabilities	31	124	10,243	-	148
Current tax payable		13,721	11,849	-	-
		770,266	808,258	595,427	632,211
TOTAL LIABILITIES		1,735,485	1,847,067	1,392,006	1,568,807
TOTAL EQUITY AND LIABILITIES		3,342,730	3,510,495	2,420,973	2,641,478

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity for the Financial Year Ended 31 December 2017

			Attributable to owners of the Company									
				Non-distributable			Distributable	Non-distributable				
2017	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Other reserves, total RM'000	Asset revaluation and capital reserve RM'000	Foreign currency translation reserve RM'000	Share of associate reserve RM'000	Non-controlling interests RM'000
Group												
Balance as at 1 January 2017		1,663,428	1,506,984	672,706	1,301	(8)	569,437	263,548	124,827	138,490	231	156,444
Profit for the financial year		142,163	114,978	-	-	-	114,978	-	-	-	-	27,185
Other comprehensive loss												
Foreign currency translations		(194,939)	(188,718)	-	-	-	-	(188,718)	-	(188,718)	-	(6,221)
Remeasurements of net defined benefit liabilities	38	(1,902)	(1,902)	-	-	-	(1,902)	-	-	-	-	-
Other comprehensive loss for the financial year, net of tax		(196,841)	(190,620)	-	-	-	(1,902)	(188,718)	-	(188,718)	-	(6,221)
Total comprehensive loss for the financial year		(54,678)	(75,642)	-	-	-	113,076	(188,718)	-	(188,718)	-	20,964
Transactions with owners												
Issuance of ordinary shares for privatisation undertaken, net of expenses	34	(35)	31,455	21,834	-	-	9,621	-	-	-	-	(31,490)
Issuance of ordinary shares for private placement, net of expenses	34	41,227	41,227	41,227	-	-	-	-	-	-	-	-
Dividends paid on ordinary shares	17	(27,136)	(27,136)	-	-	-	(27,136)	-	-	-	-	-
Dividend paid to non-controlling interests		(15,545)	-	-	-	-	-	-	-	-	-	(15,545)
Exercise of equity-settled employees share options by an associate	35	(16)	(16)	-	-	-	-	(16)	-	-	(16)	-
Revaluation reserve realised upon depreciation charged		-	-	-	-	-	2,312	(2,312)	(2,312)	-	-	-
Total transactions with owners		(1,505)	45,530	63,061	-	-	(15,203)	(2,328)	(2,312)	-	(16)	(47,035)
Transfer pursuant to Companies Act 2016	34	-	-	4,745	(1,301)	-	-	(3,444)	(3,444)	-	-	-
Balance as at 31 December 2017		1,607,245	1,476,872	740,512	-	(8)	667,310	69,058	119,071	(50,228)	215	130,373

Statements of Changes in Equity for the Financial Year Ended 31 December 2017 *(continued)*

2016	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Other reserves, total RM'000	Asset revaluation and capital reserve RM'000	Foreign currency translation reserve RM'000	Share of associate reserve RM'000	Non-controlling interests RM'000
			Attributable to owners of the Company									
			Non-distributable				Distributable	Non-distributable				
Group												
Balance as at 1 January 2016		1,501,341	1,356,680	672,706	1,301	(6)	535,241	147,438	127,139	20,096	203	144,661
Profit for the financial year		67,059	57,875	-	-	-	57,875	-	-	-	-	9,184
Other comprehensive income												
Foreign currency translations		123,387	118,394	-	-	-	-	118,394	-	118,394	-	4,993
Remeasurements of net defined benefit liabilities	38	917	917	-	-	-	917	-	-	-	-	-
Other comprehensive income for the financial year, net of tax		124,304	119,311	-	-	-	917	118,394	-	118,394	-	4,993
Total comprehensive income for the financial year		191,363	177,186	-	-	-	58,792	118,394	-	118,394	-	14,177
Transactions with owners												
Purchase of treasury shares	34	(2)	(2)	-	-	(2)	-	-	-	-	-	-
Dividends paid on ordinary shares	17	(26,908)	(26,908)	-	-	-	(26,908)	-	-	-	-	-
Dividend paid to non-controlling interests		(2,394)	-	-	-	-	-	-	-	-	-	(2,394)
Grant of equity-settled share options to employees by an associate	35	28	28	-	-	-	-	28	-	-	28	-
Revaluation reserve realised upon depreciation charged		-	-	-	-	-	2,312	(2,312)	(2,312)	-	-	-
Total transactions with owners		(29,276)	(26,882)	-	-	(2)	(24,596)	(2,284)	(2,312)	-	28	(2,394)
Balance as at 31 December 2016		1,663,428	1,506,984	672,706	1,301	(8)	569,437	263,548	124,827	138,490	231	156,444

Statements of Changes in Equity for the Financial Year Ended 31 December 2017 *(continued)*

2017	Note	Equity, total RM'000	Share capital RM'000 (Non-distributable)	Share premium RM'000 (Non-distributable)	Treasury shares RM'000 (Non-distributable)	Retained earnings RM'000 (Distributable)	Other reserves, total RM'000 (Non-distributable)	Asset revaluation reserve RM'000 (Non-distributable)	Capital reserve RM'000 (Non-distributable)
Company									
Balance as at 1 January 2017		1,072,671	672,706	1,301	(8)	366,910	31,762	28,318	3,444
Loss for the financial year		(79,629)	-	-	-	(79,629)	-	-	-
Other comprehensive income for the financial year, net of tax		-	-	-	-	-	-	-	-
Total comprehensive loss for the financial year		(79,629)	-	-	-	(79,629)	-	-	-
Transactions with owners									
Issuance of ordinary shares for privatisation undertaken, net of expenses	34	21,834	21,834	-	-	-	-	-	-
Issuance of ordinary shares for private placement, net of expenses	34	41,227	41,227	-	-	-	-	-	-
Dividends paid on ordinary shares	17	(27,136)	-	-	-	(27,136)	-	-	-
Revaluation reserve realised upon depreciation charged		-	-	-	-	464	(464)	(464)	-
Total transactions with owners		35,925	63,061	-	-	(26,672)	(464)	(464)	-
Transfer pursuant to Companies Act 2016	34	-	4,745	(1,301)	-	-	(3,444)	-	(3,444)
Balance as at 31 December 2017		1,028,967	740,512	-	(8)	260,609	27,854	27,854	-

Statements of Changes in Equity for the Financial Year Ended 31 December 2017 *(continued)*

			<------ Non-distributable	------>		Distributable	<------ Non-distributable	------>	
2016	**Note**	**Equity, total RM'000**	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Other reserves, total RM'000**	**Asset revaluation reserve RM'000**	**Capital reserve RM'000**
Company									
Balance as at 1 January 2016		992,510	672,706	1,301	(6)	286,283	32,226	28,782	3,444
Profit for the financial year		107,071	-	-	-	107,071	-	-	-
Other comprehensive income for the financial year, net of tax		-	-	-	-	-	-	-	-
Total comprehensive income for the financial year		107,071	-	-	-	107,071	-	-	-
Transactions with owners									
Purchase of treasury shares	34	(2)	-	-	(2)	-	-	-	-
Dividends paid on ordinary shares	17	(26,908)	-	-	-	(26,908)	-	-	-
Revaluation reserve realised upon depreciation charged		-	-	-	-	464	(464)	(464)	-
Total transactions with owners		(26,910)	-	-	(2)	(26,444)	(464)	(464)	-
Balance as at 31 December 2016		1,072,671	672,706	1,301	(8)	366,910	31,762	28,318	3,444

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

Statements of Cash Flows for the Financial Year Ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		193,323	113,580	(80,793)	104,699
Adjustments for:					
Amortisation of biological assets	19	264	264	264	264
Amortisation of land use rights	20	6,633	6,801	-	-
Bad debts written off		2	12	-	-
Depreciation of property, plant and equipment		50,520	44,383	4,580	4,662
Dividend income	9	(4,489)	(625)	(169)	(625)
Fair value (gain)/loss on forward currency contracts		(1,492)	1,482	-	-
Fair value (gain)/loss on commodity future contracts		(13,215)	8,316	(193)	(74)
Gain on disposal of unquoted investment		(3,595)	-	-	-
Impairment losses on:					
- cost of investments in subsidiaries	22	-	-	7,617	1,382
- investment securities		-	8	-	8
- trade receivables	26(a)	1,354	836	-	-
- other receivables		-	4,296	-	-
Interest expense	11	41,773	21,363	68,078	55,614
Interest income	8	(14,326)	(13,125)	(53,380)	(71,967)
Inventories written down		3,913	5,348	-	-
Loss/(Gain) from fair value adjustment of forest planting expenditure	19	4,310	(916)	7,828	1,025
Loss/(Gain) on disposal of property, plant and equipment		128	(927)	(182)	(125)
Net loss/(gain) on redemption of short-term investment		51	(4)	51	(4)
Net unrealised foreign exchange (gain)/loss		(23,279)	20,578	91,938	(68,196)
Property, plant and equipment written off	18	5,901	238	5	4
Share of profit of associate		(9,187)	(7,170)	-	-
Share of profit of joint ventures		(7,535)	(10,939)	-	-
Waiver of debts owing by subsidiaries		-	-	153	1,940
Waiver of debts owing to a subsidiary		-	-	(970)	-
Write back of impairment losses on:					
- investment securities		(8)	-	(8)	-
- property, plant and equipment	18	(72)	(7)	-	-
- trade receivables	26(a)	(16)	(393)	-	-
- other receivables	26(d)	(1,451)	-	-	-
Total adjustments		36,184	79,819	125,612	(76,092)
Operating cash flows before changes in working capital		229,507	193,399	44,819	28,607

Statements of Cash Flows for the Financial Year Ended 31 December 2017 *(continued)*

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Changes in working capital					
Decrease/(Increase) in inventories		13,463	(21,126)	(33)	(190)
Decrease/(Increase) in receivables		48,961	10,393	75,915	(111,016)
(Decrease)/Increase in payables		(10,014)	(10,443)	(119,165)	195,326
Increase in retirement benefits obligations		895	3,936	-	-
Total changes in working capital		53,305	(17,240)	(43,283)	84,120
Cash flows from operations		282,812	176,159	1,536	112,727
Interest paid		(41,773)	(21,363)	(68,078)	(55,614)
Income tax paid		(48,991)	(23,293)	(1,318)	-
Income tax refunded		11,619	36	-	-
Net cash flows from/(used in) operating activities		203,667	131,539	(67,860)	57,113
CASH FLOWS FROM INVESTING ACTIVITIES					
Additional investment in associate		-	(7,985)	-	(7,985)
Additional investments in subsidiaries	22(d)	-	-	(938)	-
Dividends received from:					
- associate	23(d)	4,203	-	-	-
- joint ventures	24(c)	10,000	13,000	-	-
- short term investments	9	4,489	625	169	625
Forest planting expenditure		(9,848)	(11,549)	(6,605)	(7,880)
Interest received	8	14,326	13,125	53,380	71,967
Oil palm planting expenditure		(111,883)	(135,598)	-	-
(Placements)/Withdrawals of deposits with maturity of over 3 months		(972)	1,411	-	1,442
Placements of pledged deposits		(3,704)	-	-	-
Proceeds from disposal of unquoted investment		8,609	-	-	-
Proceeds from disposal of property, plant and equipment		2,747	2,305	414	469
Purchase of land use rights	20	(635)	(15,143)	-	-
Purchase of property, plant and equipment	18	(43,416)	(35,058)	(4,282)	(3,174)
Redemption of short-term investments		93	5	93	5
Net cash flows (used in)/from investing activities		(125,991)	(174,862)	42,231	55,469

Statements of Cash Flows for the Financial Year Ended 31 December 2017 *(continued)*

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	17	(27,136)	(26,908)	(27,136)	(26,908)
Dividends paid to non-controlling interests		(15,545)	(2,394)	-	-
Net repayments of bankers' acceptances		(12,976)	(6,934)	-	-
Net (repayments)/drawdowns of foreign currency import loan		(277)	143	-	-
Net repayments of revolving credits		(17,230)	(172,867)	(1,031)	(135,075)
Net drawdowns of Sukuk Ijarah Medium Term Notes		-	50,000	-	-
Net repayments of Sukuk Ijarah Commercial Papers		-	(20,000)	-	-
Net drawdowns of Sukuk Musyarakah Medium Term Notes		-	150,000	-	-
Net (repayments)/drawdowns of term loans		(31,590)	135,966	(26,590)	115,975
Net repayments of hire purchase payables		(60)	(576)	-	-
Proceeds from issuance of ordinary shares, net of expenses		41,192	-	41,192	-
Purchase of treasury shares	34	-	(2)	-	(2)
Net cash flows (used in)/from financing activities		(63,622)	106,428	(13,565)	(46,010)
Net increase/(decrease) in cash and cash equivalents		14,054	63,105	(39,194)	66,572
Effects of exchange rate changes		(10,661)	10,021	(3,026)	4,539
Cash and cash equivalents as at beginning of financial year		124,511	51,385	83,451	12,340
Cash and cash equivalents as at end of financial year	33	127,904	124,511	41,231	83,451

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

Notes to the Financial Statements 31 December 2017

1. CORPORATE INFORMATION

TSH Resources Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 10, Menara TSH, No. 8 Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at Bangunan TSH, TB 9, KM 7, Apas Road, 91000 Tawau, Sabah.

The consolidated financial statements for the financial year ended 31 December 2017 comprise the Company and its subsidiaries and the interests of the Group in an associate and joint ventures. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 4 April 2018.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, oil palm cultivation and forest plantation. The principal activities of the subsidiaries are stated in Note 22 to the financial statements and are primarily involved in oil palm cultivation and processing. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

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

The new FRSs and amendments to FRSs adopted during the financial year are set out in Note 44(a) to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The Group has positive cash flows from its business activities and sufficient credit facilities in place to meet its operational requirements (as disclosed further in Note 5(b)(ii) to the financial statements), notwithstanding that the Group and the Company have net current liabilities of RM305,772,000 and RM469,708,000 respectively as at 31 December 2017. In addition, the Group and the Company carried out monthly cash flows review for the next twelve (12) months to ensure that the business operations have sufficient funds available to meet their obligations as and when they fall due. Historical results of the treasury management show that the Group and the Company have the ability to meet their obligations as and when they fall due and the Group and the Company have not defaulted on any obligations due or payable to financial institutions or creditors.

The Directors are confident that the Group will continue to operate profitably in the foreseeable future and to obtain continuous financial support from the lenders and shareholders.

Notes to the Financial Statements 31 December 2017

4. SEGMENT INFORMATION

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

(i) Palm products - the operation of oil palm plantations, manufacture and sale of crude palm oil and palm kernel; and

(ii) Others - manufacture and sale of downstream wood products, operation of a forest management unit, manufacture, sale and trading of cocoa products, and generation and supply of electricity from biomass plants.

Except as indicated above, no other business units has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

4. SEGMENT INFORMATION *(continued)*

	Palm products		Others		Adjustment and eliminations			Per consolidated financial statements	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	Note	2017 RM'000	2016 RM'000
Revenue									
External customers	946,179	752,969	127,328	119,335	-	-		1,073,507	872,304
Inter-segment	26,444	24,315	-	-	(26,444)	(24,315)	(a)	-	-
Total revenue	972,623	777,284	127,328	119,335	(26,444)	(24,315)		1,073,507	872,304
Results									
Interest income	103,779	116,707	316	77	(89,769)	(103,659)		14,326	13,125
Dividend income	4,489	625	-	-	-	-		4,489	625
Depreciation and amortisation	(45,980)	(40,849)	(11,437)	(10,599)	-	-		(57,417)	(51,448)
Share of profit of associate	9,187	7,170	-	-	-	-		9,187	7,170
Share of profit of joint ventures	7,535	10,939	-	-	-	-		7,535	10,939
Other material non-cash items	36,001	(36,817)	(12,042)	(3,361)	-	-	(b)	23,959	(40,178)
Segment profit	232,655	146,920	7,205	20,649	(46,537)	(53,989)	(c)	193,323	113,580
Assets:									
Additions to non-current assets	170,899	209,359	6,274	865	-	-	(d)	177,173	210,224
Segment assets	2,404,379	2,516,597	685,145	687,388	253,206	306,510	(e)	3,342,730	3,510,495
Segment liabilities	44,519	69,659	78,456	72,088	1,612,510	1,705,320	(f)	1,735,485	1,847,067

4. SEGMENT INFORMATION *(continued)*

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

(a) Inter-segment revenues are eliminated on consolidation.

(b) Other material non-cash items consist of the following items as presented in the respective notes to the financial statements:

	2017 RM'000	2016 RM'000
Property, plant and equipment written off	(5,901)	(238)
Impairment losses on trade receivables	(1,354)	(836)
Inventories written down	(3,913)	(5,348)
Unrealised foreign exchange gain/(loss)	23,279	(20,578)
Fair value gain/(loss) on forward currency contracts	1,492	(1,482)
Fair value gain/(loss) on commodity future contracts	13,215	(8,316)
(Loss)/Gain from fair value adjustment of forest planting expenditure	(4,310)	916
Write back/(Impairment losses) on other receivables	1,451	(4,296)
	23,959	(40,178)

(c) The following items are added to/(deducted from) segment profit to arrive at "Profit before tax" presented in the statements of comprehensive income:

	2017 RM'000	2016 RM'000
Share of profit of associate	9,187	7,170
Share of profit of joint ventures	7,535	10,939
Finance costs	(41,773)	(21,363)
Unallocated corporate expenses	(21,486)	(50,735)
	(46,537)	(53,989)

(d) Additions to non-current assets consist of:

	2017 RM'000	2016 RM'000
Property, plant and equipment	43,592	35,058
Biological assets	132,946	160,023
Land use rights	635	15,143
	177,173	210,224

Notes to the Financial Statements 31 December 2017

4. SEGMENT INFORMATION (*continued*)

(e) The following items are added to segment assets to arrive at total assets reported in the statements of financial position:

	2017 RM'000	2016 RM'000
Tax recoverable	3,976	15,923
Deferred tax assets	19,304	18,543
Unallocated amounts	229,926	272,044
	253,206	306,510

(f) The following items are added to segment liabilities to arrive at total liabilities reported in the statements of financial position:

	2017 RM'000	2016 RM'000
Deferred tax liabilities	156,021	157,443
Borrowings	1,442,524	1,530,209
Unallocated amounts	13,965	17,668
	1,612,510	1,705,320

Geographical information

Revenues and segment assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Segment assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	597,778	497,398	1,499,399	1,552,163
Europe	8,407	10,568	5,144	183
Indonesia	398,009	295,183	1,833,900	1,951,770
United States of America	49,610	47,297	3,181	2,615
Others	19,703	21,858	1,106	3,764
	1,073,507	872,304	3,342,730	3,510,495

Notes to the Financial Statements 31 December 2017

5. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a good credit rating and healthy capital ratios in order to support a balanced growth objective in its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the free cash flow position. To achieve this objective, the Group may adjust the Group internal plans in its expansion of plantation land areas and plantation programme. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a debt/equity ratio, which is loans and borrowings less cash and bank balances divided by total equity. The Group intends to manage its debt/equity ratio at below 1.0 level over the near to medium term to support its existing credit metrics despite its existing financial covenant under the current banking facilities indicating at 1.5 level.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and borrowings	1,442,524	1,530,209	739,586	792,832
Less: Cash and bank balances (Note 33)	(139,280)	(131,202)	(41,231)	(83,451)
Less: Short-term funds (Note 32)	-	(144)	-	(144)
Net debt	1,303,244	1,398,863	698,355	709,237
Total Equity	1,607,245	1,663,428	1,028,967	1,072,671
Gearing ratio	0.81	0.84	0.68	0.66

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of not less than or equals to twenty-five percent (25%) of the issued and paid-up capital and such shareholders' equity is not less than RM40,000,000. The Group has complied with this requirement for the financial year ended 31 December 2017.

(b) Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, 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 Chief Financial Officer, Head of Treasury and Head of Finance. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

(i) Credit risk

The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Notes to the Financial Statements 31 December 2017

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (*continued*)

(b) Financial risk management (*continued*)

(i) Credit risk (*continued*)

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Information regarding credit enhancements for trade and other receivables and credit risk concentration profiles has been disclosed in Note 26 to the financial statements.

(ii) Liquidity risk

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 the use of stand-by credit facilities.

Management had undertaken a re-balancing of the Group's short term and long term borrowings to reflect the long nature of the Group's business. Consequent thereto short term borrowings (net of cash and short-term fund) had been reduced to RM509,810,000 against RM532,079,000 as at 31 December 2016, a reduction of RM22,269,000. While there is still a net current liability position as at 31 December 2017, the Group has RM557,100,000 in unused credit facilities. For the financial year ending 31 December 2018, the Group expects to achieve further liquidity position improvement due to:

i) cash flow generated from operation;

ii) reduction in new planting activity; and

iii) targeted conversion of short term borrowings to long term borrowings.

At the end of reporting period, approximately 45% (2016: 43%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The analysis of financial instruments by remaining contractual maturities is disclosed in Notes 31, 37, 39 and 40 to the financial statements respectively.

(iii) Interest rate risk

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 33, 37, 39 and 40 to the financial statements respectively.

(iv) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, which are United States Dollars (USD), Australian Dollars (AUD), United Arab Emirates Dirham (AED), Sterling Pound (GBP), Euro (EUR) and Indonesia Rupiah (IDR). The foreign currencies in which these transactions are denominated are mainly USD.

Approximately 93% (2016: 94%) of the Group's sales and 92% (2016: 90%) of cost of sales are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of reporting period have similar exposures.

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (*continued*)

(b) Financial risk management (*continued*)

(iv) Foreign currency risk (*continued*)

The Group may require its operating entities to use forward currency contracts to eliminate the currency exposures on any individual transactions for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2017, the Group hedged 56% (2016: 76%) of its foreign currency denominated sales, for which firm commitments existed at the reporting date, extending to July 2018 (2016: March 2017).

The currency exposure profiles of financial assets and liabilities are as follows:

	USD RM'000	AUD RM'000	AED RM'000	GBP RM'000	EUR RM'000	IDR RM'000
Group						
2017						
Financial assets in foreign currencies						
Trade and other receivables	3,322	3,662	-	-	2,606	41,562
Other current assets	-	-	-	-	-	5,823
Cash and bank balances	1,413	3	-	-	43	67,381
Financial liabilities in foreign currencies						
Loans and borrowings	438,390	-	-	-	84	-
Trade and other payables	6,929	-	-	39	453	33,344
2016						
Financial assets in foreign currencies						
Trade and other receivables	4,014	3,853	-	7,504	1,127	66,676
Other current assets	-	-	-	-	-	14,960
Cash and bank balances	5,749	6	-	-	68	97,086
Financial liabilities in foreign currencies						
Loans and borrowings	438,577	79	-	-	91	-
Hire purchase payables	41	-	-	-	-	-
Trade and other payables	15,681	-	600	-	237	44,790

Notes to the Financial Statements 31 December 2017

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (*continued*)

(b) Financial risk management (*continued*)

(iv) Foreign currency risk (*continued*)

The currency exposure profiles of financial assets and liabilities are as follows: (continued)

	USD RM'000	IDR RM'000
Company		
2017		
Financial assets in foreign currencies		
Trade and other receivables	-	912,175
Cash and bank balances	5,437	20,748
Financial liabilities in foreign currencies		
Loans and borrowings	266,621	-
Trade and other payables	4,927	20,175
2016		
Financial assets in foreign currencies		
Trade and other receivables	26	996,171
Cash and bank balances	4,959	65,458
Financial liabilities in foreign currencies		
Loans and borrowings	438,353	-
Trade and other payables	9,493	73,732

Notes to the Financial Statements 31 December 2017

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (*continued*)

(b) Financial risk management (*continued*)

(iv) Foreign currency risk (*continued*)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and Company's profit/(loss) net of tax to a reasonably possible change in the USD, GBP, EUR, AED, AUD and IDR exchange rates against the respective functional currency of the Group entities, with all other variables held constant.

			Profit/(Loss) net of tax			
			Group		Company	
			2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
USD/RM	-	strengthened by 5%	(16,822)	(16,772)	(10,112)	(16,828)
	-	weakened by 5%	16,822	16,772	10,112	16,828
GBP/RM	-	strengthened by 5%	(1)	285	-	-
	-	weakened by 5%	1	(285)	-	-
AED/RM	-	strengthened by 5%	-	(23)	-	-
	-	weakened by 5%	-	23	-	-
AUD/RM	-	strengthened by 5%	139	144	-	-
	-	weakened by 5%	(139)	(144)	-	-
EUR/RM	-	strengthened by 5%	83	50	-	-
	-	weakened by 5%	(83)	(50)	-	-
IDR/RM	-	strengthened by 5%	778	2,471	34,684	37,540
	-	weakened by 5%	(778)	(2,471)	(34,684)	(37,540)

(v) Market price risk

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Bursa Malaysia and are classified as held for trading.

The sensitivity analysis of market price risk has been disclosed in Note 27 to the financial statements.

Notes to the Financial Statements 31 December 2017

6. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of oil palm products	946,179	752,969	9,292	10,016
Sale of cocoa beans and cocoa products	45,442	41,810	-	-
Sale of ramet	5,230	4,001	-	-
Sale of timber and latex	1,172	348	1,173	348
Sale of wood products	35,035	39,372	-	-
Installation services rendered	19,486	12,331	-	-
Supply of electricity	20,963	21,473	-	-
Dividend income from subsidiaries, associate and joint ventures	-	-	67,553	45,874
Management fees from subsidiaries	-	-	26,444	24,315
	1,073,507	872,304	104,462	80,553

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. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods and supply of electricity

Revenue from sale of goods and supply of electricity are recognised net of sales taxes and upon the transfer of significant risks and rewards of ownership to the buyer. 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) Service contracts - Installation services rendered

Revenue from service contracts is accounted for by the stage of completion method.

(c) Management fees

Management fees are recognised when services are rendered.

(d) Dividend income

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

7. COST OF SALES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost of inventories sold	679,618	551,582	4,596	3,582
Installation service costs	3,253	2,393	-	-
Cost of services rendered	9,840	6,427	-	-
	692,711	560,402	4,596	3,582

Notes to the Financial Statements 31 December 2017

8. INTEREST INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income from:				
Short-term deposits	4,459	1,253	1,668	504
Loans and receivables	9,867	11,872	51,712	71,463
	14,326	13,125	53,380	71,967

Interest income is recognised on an accrual basic using the effective interest method.

9. DIVIDEND INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Dividend income from:				
Short term investments (unquoted in Malaysia)	169	625	169	625
Investment securities (unquoted in Malaysia)	4,320	-	-	-
	4,489	625	169	625

10. OTHER INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fair value gain on commodity future contracts	13,215	663	193	74
Fair value gain on forward currency contracts	1,492	-	-	-
Gain from fair value adjustment of forest planting expenditure (Note 19)	-	916	-	-
Gain on disposal of property, plant and equipment	-	927	182	125
Gain on disposal of unquoted investment	3,595	-	-	-
Inventories written back (Note 28)	195	-	-	-
Management fee	2,936	2,270	-	-
Net gain on redemption of short term investment	-	4	-	4
Net gain on foreign exchange				
- realised	-	4,054	-	4,182
- unrealised	23,279	-	-	68,196
Realised gain on commodity future contracts	-	1,460	950	-
Realised gain on forward currency contracts	-	483	-	-

Notes to the Financial Statements 31 December 2017

10. OTHER INCOME (*continued*)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental income	801	759	634	521
Sale of nursery	-	577	-	-
Sale of scrap iron	492	359	-	-
Waiver of debts owing to a subsidiary	-	-	970	-
Write back of impairment losses on:				
- property, plant and equipment (Note 18)	72	7	-	-
- trade receivables (Note 26(a))	16	393	-	-
- investment securities	8	-	8	-
- other receivables (Note 26(d))	1,451	-	-	-
Miscellaneous	1,688	2,372	355	158
	49,240	15,244	3,292	73,260

Rental income

Rental income is recognised on a straight line basis over the period of tenancy.

11. FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expenses on:				
Amounts due to subsidiaries	-	-	37,611	26,450
Bank overdrafts	107	84	-	2
Bankers' acceptances	5,974	7,301	-	-
Revolving credits	11,757	14,178	11,080	13,010
Term loans	21,223	17,916	19,697	16,400
Others	534	597	513	510
	39,595	40,076	68,901	56,372
Islamic financing distribution payment:				
Sukuk Ijarah Commercial Papers	-	746	-	-
Sukuk Ijarah Medium Term Notes	14,805	11,966	-	-
Sukuk Murabahah Medium Term Notes	7,830	4,226	-	-
Sukuk Musyarakah Medium Term Notes	2,250	2,253	-	-
	24,885	19,191	-	-
Total finance costs	64,480	59,267	68,901	56,372
Less: Interest expense capitalised in biological assets (Note 19(a) and 19(b))	(22,707)	(37,904)	(823)	(758)
Net finance costs	41,773	21,363	68,078	55,614

Notes to the Financial Statements 31 December 2017

11. FINANCE COSTS (*continued*)

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

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

12. PROFIT/(LOSS) BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the following items have been included in arriving at profit/(loss) before tax:

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amortisation of biological assets	19	264	264	264	264
Amortisation of land use rights	20	6,633	6,801	-	-
Auditors' remuneration:					
- statutory audits:					
- current year		756	801	125	120
- under-provision in prior years		(68)	217	-	84
- other services					
- current year		5	17	-	-
Bad debts written off		2	12	-	-
Depreciation of property, plant and equipment		50,520	44,383	4,580	4,662
Employee benefits expense	13	88,629	83,447	24,861	25,662
Fair value loss on commodity future contracts		-	8,979	-	-
Fair value loss on forward currency contracts		-	1,482	-	-
Impairment losses on:					
- cost of investments in subsidiaries	22	-	-	7,617	1,382
- investment securities		-	8	-	8
- trade receivables	26(a)	1,354	836	-	-
- other receivables		-	4,296	-	-
Inventories written down	28	4,108	5,348	-	-
Loss on disposal of property, plant and equipment		128	-	-	-
Loss from fair value adjustment of forest planting expenditure	19	4,310	-	7,828	1,025
Loss on redemption of short-term investment		51	-	51	-
Net loss on foreign exchange:					
- realised		7,737	-	-	-
- unrealised		-	20,578	91,938	-
Non-Executive Directors' remuneration	14	2,069	1,801	1,851	1,708
Property, plant and equipment written off	18	5,901	238	5	4
Waiver of debts owing by subsidiaries		-	-	153	1,940

Notes to the Financial Statements 31 December 2017

13. EMPLOYEE BENEFITS EXPENSE

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries		95,312	91,430	25,226	26,112
Contributions to defined contribution plan		4,774	4,896	2,537	2,576
Social security contributions		7,367	6,601	153	138
Increase in liability for defined benefit plan	38	3,409	3,166	-	-
		110,862	106,093	27,916	28,826
Less: Amount capitalised in oil palm planting expenditure	19(b)	(17,980)	(18,285)	-	-
Less: Amount capitalised in forest planting expenditure	19(a)	(4,253)	(4,361)	(3,055)	(3,164)
		88,629	83,447	24,861	25,662

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM6,378,000 (2016: RM6,726,000) and RM6,299,000 (2016: RM6,647,000) respectively as further disclosed in Note 14 to the financial statements.

14. DIRECTORS' REMUNERATION

The details of remuneration receivable by Directors of the Company during the financial year are as follows:

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive:					
Salaries and bonus		5,694	6,005	5,624	5,935
Other emoluments		684	721	675	712
Total Executive Directors' remuneration (excluding benefits-in-kind)	13	6,378	6,726	6,299	6,647
Estimated money value of benefits-in-kind		269	275	84	79
Total Executive Directors' remuneration (including benefits-in-kind)		6,647	7,001	6,383	6,726

Notes to the Financial Statements 31 December 2017

14. DIRECTORS' REMUNERATION (*continued*)

The details of remuneration receivable by Directors of the Company during the financial year are as follows: (*continued*)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-Executive:					
Fees		228	233	180	150
Salaries		76	-	-	-
Other emoluments		1,765	1,568	1,671	1,558
Total Non-Executive Directors' remuneration (excluding benefits-in-kind)	12	2,069	1,801	1,851	1,708
Estimated money value of benefits-in-kind		175	159	175	159
Total Non-Executive Directors' remuneration (including benefits-in-kind)		2,244	1,960	2,026	1,867
Total Directors' remuneration		8,891	8,961	8,409	8,593

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2017 RM'000	2016 RM'000
Executive Directors:		
RM750,000 - RM800,000	-	1*
RM850,001 - RM900,000	-	1
RM1,050,001 - RM1,100,000	1	-
RM1,850,001 - RM1,900,000	1	1
RM3,450,001 - RM3,500,000	-	1
RM3,650,001 - RM3,700,000	1	-
Non-Executive Directors:		
Below RM50,000	2	3*
RM50,001 - RM100,000	2	2
RM250,001 - RM300,000	1	-
RM350,001 - RM400,000	-	1
RM400,001 - RM450,000	1	-
RM1,300,001 - RM1,350,000	1	1

* *In the previous financial year, the additional Director disclosed above was due to redesignation of an Executive Director to a Non-Executive Director.*

Notes to the Financial Statements 31 December 2017

15. TAXATION

(a) Major components of taxation

The major components of taxation for the financial years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	16,216	11,555	-	-
- Foreign tax	32,538	22,852	-	-
	48,754	34,407	-	-
Under/(Over) provision in prior years:				
- Malaysian income tax	2,313	3,544	1,948	-
- Foreign tax	1,670	(266)	-	-
	3,983	3,278	1,948	-
Deferred tax (Note 25)				
- Origination and reversal of temporary differences	(1,770)	4,642	(3,819)	(4,275)
- Under provision in prior years	193	4,194	707	1,903
	(1,577)	8,836	(3,112)	(2,372)
Taxation recognised in profit and loss	51,160	46,521	(1,164)	(2,372)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

15. TAXATION (*continued*)

(b) Reconciliation between taxation and accounting profit

The reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) before tax	193,323	113,580	(80,793)	104,699
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	46,397	27,259	(19,390)	25,128
Different tax rates in other countries	80	738	-	-
Adjustments:				
Non-deductible expenses	44,133	62,507	45,940	18,033
Income not subject to taxation	(42,804)	(50,087)	(30,369)	(47,436)
Share of profit of associate	(2,205)	(1,721)	-	-
Share of profit of joint ventures	(1,808)	(2,625)	-	-
Effect of utilisation of previously unrecognised tax losses and unabsorbed allowances	(970)	(9,826)	-	-
Effect of reversal of deferred tax assets on unused tax losses recognised previously upon expiry	-	11,943	-	-
Effect of different tax rate for small and medium scale company	(488)	(1,304)	-	-
Effect of investment cost in subsidiaries eligible for tax deduction	(786)	(991)	-	-
Deferred tax assets not recognised	5,435	3,156	-	-
Under provision of deferred tax in prior years	193	4,194	707	1,903
Under provision of tax expense in prior years	3,983	3,278	1,948	-
Taxation recognised in profit and loss	51,160	46,521	(1,164)	(2,372)

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

(c) Value-added tax ("VAT") and Goods and Services Tax ("GST")

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

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

(ii) Receivables and payables that are stated with the amount of VAT/GST included.

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

Notes to the Financial Statements 31 December 2017

15. TAXATION (*continued*)

(d) Tax effect on each component of other comprehensive income is as follows:

	Before tax RM'000	Tax effect RM'000	After tax RM'000
Group			
At 31 December 2017			
Items that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translations	(194,939)	-	(194,939)
Items that may not be reclassified to profit or loss in subsequent periods:			
Re-measurement of net retirement benefit obligations	(1,902)	-	(1,902)
At 31 December 2016			
Items that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translations	123,387	-	123,387
Items that may not be reclassified to profit or loss in subsequent periods:			
Re-measurement of net retirement benefit obligations	917	-	917

16. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the financial year, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2017	**2016**
Profit attributable to owners of the Company used in the computation of basic or diluted earnings per share (RM'000)	114,978	57,875
Weighted average number of ordinary shares in issue* ('000)	1,364,418	1,345,409
Basic earnings per ordinary share (sen)	8.43	4.30

* *The weighted average number of shares for the financial years 2017 and 2016 takes into account of the weighted average effects of issuance of new ordinary shares and treasury shares transactions respectively.*

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

There have been no other transactions involving ordinary shares or potential ordinary shares between the end of reporting period and the date of authorisation of these financial statements.

Notes to the Financial Statements 31 December 2017

17. DIVIDENDS

	Group and Company	
	2017 RM'000	2016 RM'000
Recognised during the year:		
First and final single tier dividend for financial year ended 31 December 2016 of 2.0 sen per ordinary shares	27,136	-
First and final single tier dividend for financial year ended 31 December 2015 of 2.0 sen per ordinary shares	-	26,908
	27,136	26,908

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2017, of 2.0 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

18. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2017 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassifications RM'000	Depreciation charged for the financial year RM'000	Impairment write back RM'000	Exchange differences RM'000	Balance as at 31.12.2017 RM'000
Carrying amount									
Long term leasehold land									
- at cost	11,075	-	-	(204)	-	(164)	-	-	10,707
- at valuation	216,437	-	-	-	-	(3,170)	-	-	213,267
Plantation infrastructure	57,876	3,811	-	(74)	2,217	(8,561)	-	(5,377)	49,892
Buildings	237,218	4,934	(640)	(457)	1,617	(11,146)	-	(9,345)	222,181
Motor vehicles	13,972	4,315	(212)	(24)	(254)	(5,943)	-	446	12,300
Plant, machinery and equipment	138,641	12,046	(2,017)	(177)	1,699	(28,736)	-	(5,005)	116,451
Furniture, fittings and renovation	40,475	1,704	(6)	(89)	1	(2,815)	-	(2,070)	37,200
Assets under construction	109,030	16,782	-	(4,876)	(5,280)	-	72	(7,655)	108,073
	824,724	43,592	(2,875)	(5,901)	-	(60,535)	72	(29,006)	770,071

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group	Balance as at 1.1.2016 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassifications RM'000	Depreciation charged for the financial year RM'000	Impairment write back RM'000	Exchange differences RM'000	Balance as at 31.12.2016 RM'000
Carrying amount									
Long term leasehold land									
- at cost	12,009	-	-	-	-	(934)	-	-	11,075
- at valuation	218,836	-	-	-	-	(2,399)	-	-	216,437
Plantation infrastructure	57,160	2,050	-	-	1,507	(6,023)	-	3,182	57,876
Buildings	240,859	-	(10)	(33)	856	(10,165)	-	5,711	237,218
Motor vehicles	18,409	2,933	(650)	(65)	8	(7,109)	-	446	13,972
Plant, machinery and equipment	155,286	5,900	(586)	(60)	206	(25,814)	-	3,709	138,641
Furniture, fittings and renovation	41,447	2,337	(132)	(80)	-	(3,397)	-	300	40,475
Assets under construction	85,074	21,838	-	-	(2,577)	-	7	4,688	109,030
	829,080	35,058	(1,378)	(238)	-	(55,841)	7	18,036	824,724

Notes to the Financial Statements 31 December 2017

18. PROPERTY, PLANT AND EQUIPMENT (*continued*)

Group	At 31.12.2017 Cost/ Valuation RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Carrying amount RM'000
Long term leasehold land				
- at cost	15,462	(4,755)	-	10,707
- at valuation	218,836	(5,569)	-	213,267
Plantation infrastructure	78,355	(28,463)	-	49,892
Buildings	301,965	(79,784)	-	222,181
Motor vehicles	67,530	(55,230)	-	12,300
Plant, machinery and equipment	393,181	(276,730)	-	116,451
Furniture, fittings and renovation	65,603	(27,345)	(1,058)	37,200
Assets under construction	293,087	-	(185,014)	108,073
	1,434,019	(477,876)	(186,072)	770,071

Group	At 31.12.2016 Cost/ Valuation RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Carrying amount RM'000
Long term leasehold land				
- at cost	15,666	(4,591)	-	11,075
- at valuation	218,836	(2,399)	-	216,437
Plantation infrastructure	80,293	(22,417)	-	57,876
Buildings	309,527	(72,309)	-	237,218
Motor vehicles	69,605	(55,633)	-	13,972
Plant, machinery and equipment	401,620	(262,979)	-	138,641
Furniture, fittings and renovation	67,712	(26,179)	(1,058)	40,475
Assets under construction	294,116	-	(185,086)	109,030
	1,457,375	(446,507)	(186,144)	824,724

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company	Balance as at 1.1.2017 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassifications RM'000	Depreciation charged for the financial year RM'000	Balance as at 31.12.2017 RM'000
Carrying amount							
Long term leasehold land							
- at cost	8,674	-	-	-	-	(42)	8,632
- at valuation	44,586	-	-	-	-	(729)	43,857
Plantation infrastructure	11,867	-	-	-	-	(168)	11,699
Buildings	44,963	414	(225)	(2)	225	(1,154)	44,221
Motor vehicles	4,892	1,090	(7)	-	10	(1,647)	4,338
Plant, machinery and equipment	1,375	1,025	-	-	-	(510)	1,890
Furniture, fittings and renovation	3,708	749	-	(3)	-	(793)	3,661
Assets under construction	2,015	1,004	-	-	(235)	-	2,784
	122,080	4,282	(232)	(5)	-	(5,043)	121,082

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company	Balance as at 1.1.2016 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassifications RM'000	Depreciation charged for the financial year RM'000	Balance as at 31.12.2016 RM'000
Carrying amount							
Long term leasehold land							
- at cost	8,716	-	-	-	-	(42)	8,674
- at valuation	45,315	-	-	-	-	(729)	44,586
Plantation infrastructure	12,034	-	-	-	-	(167)	11,867
Buildings	45,722	47	-	-	332	(1,138)	44,963
Motor vehicles	4,834	2,034	(339)	-	8	(1,645)	4,892
Plant, machinery and equipment	1,540	454	(5)	(3)	-	(611)	1,375
Furniture, fittings and renovation	4,468	279	-	(1)	-	(1,038)	3,708
Assets under construction	1,995	360	-	-	(340)	-	2,015
	124,624	3,174	(344)	(4)	-	(5,370)	122,080

Notes to the Financial Statements 31 December 2017

18. PROPERTY, PLANT AND EQUIPMENT (*continued*)

Companay	At 31.12.2017 Cost/ Valuation RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Long term leasehold land			
- at cost	9,147	(515)	8,632
- at valuation	45,315	(1,458)	43,857
Plantation infrastructure	13,262	(1,563)	11,699
Buildings	54,922	(10,701)	44,221
Motor vehicles	17,856	(13,518)	4,338
Plant, machinery and equipment	12,678	(10,788)	1,890
Furniture, fittings and renovation	11,798	(8,137)	3,661
Assets under construction	2,784	-	2,784
	167,762	(46,680)	121,082

Companay	At 31.12.2016 Cost/ Valuation RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Long term leasehold land			
- at cost	9,147	(473)	8,674
- at valuation	45,315	(729)	44,586
Plantation infrastructure	13,262	(1,395)	11,867
Buildings	54,516	(9,553)	44,963
Motor vehicles	18,373	(13,481)	4,892
Plant, machinery and equipment	11,993	(10,618)	1,375
Furniture, fittings and renovation	11,078	(7,370)	3,708
Assets under construction	2,015	-	2,015
	165,699	(43,619)	122,080

Notes to the Financial Statements 31 December 2017

18. PROPERTY, PLANT AND EQUIPMENT (*continued*)

(a) All items of property, plant and equipment are initially recorded at cost. After initial recognition, property, plant and equipment (except for oil palm plantation leasehold land included under the long term leasehold land, which are stated at valuation) are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Oil palm plantation leasehold land is stated at valuation, which is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed with sufficient frequency (every three (3) to five (5) years) to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income ("OCI") and credited to the asset revaluation surplus in equity. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(b) The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with FRS 117 *Leases*.

(c) Leasehold land are depreciated over their remaining leases which range from 60 years to 91 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Plantation infrastructure	4%
Buildings	2%
Motor vehicles	10% to 20%
Plant, machinery and equipment	7% to 20%
Furniture, fittings and renovation	5% to 10%

Assets under construction are stated at cost and not depreciated as the assets are not yet available for use.

(d) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM43,592,000 (2016: RM35,058,000), of which RM176,000 (2016: RM Nil) was acquired by means of hire purchase arrangements. Included in property, plant and equipment of the Group are plant, machinery and equipment with net carrying amount of RM176,000 (2016: RM622,000) held under hire purchase arrangements.

(e) Depreciation capitalised under biological assets during the year was as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Forest planting expenditure (Note 19(a))	642	718	463	708
Oil palm planting expenditure (Note 19(b))	9,373	10,740	-	-

Notes to the Financial Statements 31 December 2017

18. PROPERTY, PLANT AND EQUIPMENT (*continued*)

(f) Had the oil palm plantation leasehold land been measured using the cost model, the carrying amounts would be as follows:

	Long term oil palm leasehold land RM'000
Group	
At 31 December 2017	
Cost	63,344
Accumulated depreciation	(14,103)
Net carrying amount	49,241
Company	
At 31 December 2017	
Cost	10,182
Accumulated depreciation	(1,388)
Net carrying amount	8,794
Group	
At 31 December 2016	
Cost	63,344
Accumulated depreciation	(13,371)
Net carrying amount	49,973
Company	
At 31 December 2016	
Cost	10,182
Accumulated depreciation	(1,242)
Net carrying amount	8,940

(g) Based on the latest valuation performed during the financial year ended 31 December 2015, the methods and assumptions used by management to determine fair values of the Group's oil palm plantation leasehold lands are as follows:

Investment method is adopted to value the mature oil palm fields. Using this method, the annual income accruing to the oil palm is estimated based on yield and long term average price of the crop. Thereafter, the costs of production are deducted and the net income is then capitalised at the appropriate rate of return for the remaining cropping life of the oil palm to obtain the value of the present crops. The scrub value or basic land value to which the land reverts at the end of the economic life of the cultivations is being deferred (discounted) for the period and this would be the fair value of the Group's oil palm plantation leasehold lands. The valuation used a discount rate of 8% for discounted cash flows and 4% for reversion of basic land value.

Notes to the Financial Statements 31 December 2017

18. PROPERTY, PLANT AND EQUIPMENT (*continued*)

(h) The fair value of oil palm plantation leasehold land of the Group and of the Company is categorised as Level 3 in the fair value hierarchy. There is no transfer between levels in the fair value hierarchy during the financial year.

(i) Management estimates the useful lives of plant and machinery to be between 5 to 14 years. These are common life expectancies applied in the palm oil and woods industries. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Sensitivity analysis for depreciation rate

	Group	
	2017 RM'000	**2016 RM'000**
Depreciation rate		
- increased by 10%	(2,874)	(2,581)
- decreased by 10%	2,874	2,581

(j) The Group assessed whether there were any indicators of impairment of property, plant and equipment during the financial year. In doing this, management considered the current environment and performance of the Cash Generating Units ("CGUs"). Management considered the losses in certain subsidiaries in the current financial year as impairment indicators. These companies collectively held RM58,860,000 in carrying amount of property, plant and equipment as at 31 December 2017.

A CGU's recoverable amount is based on value-in-use. Management has made estimates about the future results and key assumptions applied to cash flow projections of the CGUs. These key assumptions are applied to cash flow projections of the CGUs and include forecast growth in future revenues and budgeted gross margins, as well as determining an appropriate pre-tax discount rate and growth rates. Management has determined that the recoverable amounts of property plant and equipment in the CGUs are in excess of the carrying amounts of the property, plant and equipment and no impairment has been recorded in the current financial year.

The disclosures of the key inputs and assumptions are similar to the impairment assessment on the intangible assets, which have been set out in Note 21 to the financial statements.

Notes to the
Financial Statements 31 December 2017

19. BIOLOGICAL ASSETS

Group	Forest planting expenditure (At fair value) RM'000	Forest planting expenditure (At cost) RM'000	Oil palm planting expenditure (At cost) RM'000	Total RM'000
At cost/valuation				
At 1 January 2017	289,913	21,669	1,314,568	1,626,150
Additions during the year	10,490	-	122,456	132,946
Loss from fair value adjustment	(4,310)	-	-	(4,310)
Exchange differences	-	-	(141,872)	(141,872)
At 31 December 2017	296,093	21,669	1,295,152	1,612,914
At 1 January 2016	276,730	21,669	1,083,063	1,381,462
Additions during the year	12,267	-	147,756	160,023
Gain from fair value adjustment	916	-	-	916
Exchange differences	-	-	83,749	83,749
At 31 December 2016	289,913	21,669	1,314,568	1,626,150
Accumulated amortisation				
At 31 December 2016/ At 1 January 2017	-	(264)	-	(264)
Amortisation for the year: Recognised in profit or loss (Note 12)	-	(264)	-	(264)
At 31 December 2017	-	(528)	-	(528)
At 31 December 2015/ At 1 January 2016	-	-	-	-
Amortisation for the year: Recognised in profit or loss (Note 12)	-	(264)	-	(264)
At 31 December 2016	-	(264)	-	(264)
Net carrying amount:				
At cost/valuation				
As 31 December 2017	296,093	21,141	1,295,152	1,612,386
At 31 December 2016	289,913	21,405	1,314,568	1,625,886

Notes to the Financial Statements 31 December 2017

19. BIOLOGICAL ASSETS (*continued*)

Company	Forest planting expenditure (At fair value) RM'000	Forest planting expenditure (At cost) RM'000	Oil palm planting expenditure (At cost) RM'000	Total RM'000
At cost/valuation				
At 1 January 2017	242,350	21,669	32,991	297,010
Additions during the year	7,068	-	-	7,068
Loss from fair value adjustment	(7,828)	-	-	(7,828)
At 31 December 2017	241,590	21,669	32,991	296,250
At 1 January 2016	234,787	21,669	32,991	289,447
Additions during the year	8,588	-	-	8,588
Loss from fair value adjustment	(1,025)	-	-	(1,025)
At 31 December 2016	242,350	21,669	32,991	297,010
Accumulated amortisation				
At 31 December 2016/ At 1 January 2017	-	(264)	-	(264)
Amortisation for the year: Recognised in profit or loss (Note 12)	-	(264)	-	(264)
At 31 December 2017	-	(528)	-	(528)
At 31 December 2015/ At 1 January 2016	-	-	-	-
Amortisation for the year: Recognised in profit or loss (Note 12)	-	(264)	-	(264)
At 31 December 2016	-	(264)	-	(264)
Net carrying amount:				
At cost/valuation				
As 31 December 2017	241,590	21,141	32,991	295,722
At 31 December 2016	242,350	21,405	32,991	296,746

The nature and purpose of each category of planting expenditure are as follows:

(a) Forest planting expenditure

(i) Forest planting expenditure represents Industrial Timber Plantation expenses incurred on the development of the Group's Sustainable Forest Management Project under a Sustainable Forest Management License Agreement with the State Government of Sabah, in respect of a long term concession for 93,000 hectares of timber land under Forest Management Unit at Ulu Tungud, Sabah. This is carried at its fair value with changes in fair value recognised in profit or loss.

During the current financial year, the Group had carried out a valuation exercise to reflect the fair value of the Group's forest planting expenditure within the Industrial Timber Plantation area. The latest valuation exercise was conducted by CH Williams Talhar & Wong, with a valuation report dated 30 January 2018 for the valuation as at 31 December 2017.

Notes to the Financial Statements 31 December 2017

19. BIOLOGICAL ASSETS (*continued*)

The nature and purpose of each category of planting expenditure are as follows: (*continued*)

(a) Forest planting expenditure (*continued*)

(i) For areas beyond the Industrial Timber Plantation, direct and related cost incurred and capitalised under biological assets will be amortised over the remaining concession period.

(ii) Included in forest planting expenditure incurred during the financial year are:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Depreciation of property, plant and equipment (Note 18)	642	718	463	708
Interest expense (Note 11)	823	758	823	758
Employee benefits expenses (Note 13)	4,253	4,361	3,055	3,164

(iii) The methods and assumptions used by management to determine fair values are as follows:

Investment method is adopted to value forest planting expenditure within the Industrial Timber Plantation area. For rubber, the annual income from latex is estimated based on yield and long term average price of the crop. Thereafter, the cost of production is deducted and the net income is derived. In the final year, the value of rubberwood that could be harvested from the old rubber trees to be felled before replanting is added. The whole income flow from latex and from the rubberwood in the last year is then capitalised using the net present value, discounted at the appropriate rate of return for the remaining cropping life of the rubber trees to obtain the value of the present crops.

For the other plantation trees, the present tree crop is valued as profits from timber extraction and sales obtained by deducting the production costs from sales revenues. This is discounted at the appropriate rate of return to obtain the value of the present tree crop. For both the rubber and the other plantation trees, the scrub value (infrastructure value only, and excluding land cost) to which the land reverts at the end of the economic life of the cultivations, deferred (discounted) for the period is then added to the value of the present crops. The fair value is derived from deducting the value of the infrastructures from the market value of the trees.

Biological assets	Valuation technique used	Significant unobservable inputs	Range	Inter-relationship between key unobservable inputs and fair value
Forest planting expenditure within the Industrial Timber Plantation area	Investment method	(a) Discount rate	2017: 10% - 14% (2016: 10% - 14%)	The higher the discount rate, the lower the fair value.
		(b) Estimated yield		The higher the yield rate, the higher the fair value.
		- rubber (kg /Ha)	2017: 500 - 2,000 (2016: 900 - 1,900)	
		- wood/timber (M^3/Ha)	2017: 200 - 250 (2016: 250 - 300)	
		(c) Estimated price		The higher the price, the higher the fair value.
		- rubber (RM/KG)	2017: 6.50 (2016: 6.00)	
		- wood/timber (RM/M^3)	2017: 350 - 425 (2016: 350 - 425)	

Notes to the Financial Statements 31 December 2017

19. BIOLOGICAL ASSETS (*continued*)

The nature and purpose of each category of planting expenditure are as follows: (*continued*)

(a) Forest planting expenditure (*continued*)

(iv) The fair value of forest planting expenditure of the Group and of the Company is categorised as Level 3 in the fair value hierarchy. There is no transfer between levels in the fair value hierarchy during the financial year.

(b) Oil palm planting expenditure

(i) The oil palm planting expenditure includes all expenses incurred in connection with the development of the Group's oil palm plantations.

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

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

(ii) Included in oil palm planting expenditure incurred during the financial year are:

	Group	
	2017 RM'000	**2016 RM'000**
Depreciation of property, plant and equipment (Note 18)	9,373	10,740
Amortisation of land use rights (Note 20)	1,200	1,418
Interest expense (Note 11)	21,884	37,146
Employee benefits expenses (Note 13)	17,980	18,285

20. LAND USE RIGHTS

	Group	
	2017 RM'000	**2016 RM'000**
Cost:		
At 1 January	262,727	238,321
Additions	635	15,143
Exchange differences	(17,767)	9,262
At 31 December	245,595	262,726
Accumulated amortisation:		
At 1 January	61,164	50,234
Amortised for the financial year:	7,833	8,219
Recognised in profit or loss (Note 12)	6,633	6,801
Capitalised in biological assets (Note 19(b))	1,200	1,418
Exchange differences	(5,201)	2,711
At 31 December	63,796	61,164
Net carrying amount	181,799	201,562

Notes to the Financial Statements 31 December 2017

20. LAND USE RIGHTS (*continued*)

	Group	
	2017 RM'000	**2016 RM'000**
Amount to be amortised:		
Not later than one year	7,833	8,219
Later than one year but not later than five years	31,331	32,876
Later than five years	142,635	160,467

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

21. INTANGIBLE ASSETS

Goodwill	**RM'000**
Group	
Cost:	
At 1 January 2016	63,962
Exchange differences	1,595
At 31 December 2016 and 1 January 2017	65,557
Exchange differences	(3,805)
At 31 December 2017	61,752
Accumulated impairment:	
At 1 January 2016	4,500
Impairment during the financial year	-
At 31 December 2016 and 2017	4,500
Net carrying amount	
At 31 December 2017	57,252
At 31 December 2016	61,057

Notes to the Financial Statements 31 December 2017

21. INTANGIBLE ASSETS (*continued*)

Impairment tests for goodwill

The carrying amounts of goodwill allocated to each CGU are as follows:

	Group	
	2017 RM'000	2016 RM'000
Segments:		
Palm products	52,511	56,311
Others	4,741	4,746
	57,252	61,057

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. For palm product companies, cash flows projections are extrapolated to a period of up to twenty (20) years, which would cover the major life cycle of oil palm trees. Whilst for other companies, cash flows projections are extrapolated to the average economic useful lives of the assets.

Growth rate for the plantation segment are determined based on the management's estimate of commodity prices, palm yields, oil extraction rates and also cost of productions whilst growth rates of other segments are determined based on the past performances of the segments.

The pre-tax discount rate applied to the cash flow projections are as follows:

	2017 %	2016 %
Pre-tax discount rates	7.00 - 9.00	7.00 - 9.00

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

Budgeted gross margins - Gross margins are based on historical profit margin achieved. These are increased over the budget period for anticipated efficiency improvements.

Pre-tax discount rates - Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, the management is not aware of any reasonably possible change in the above key assumptions that would cause the carrying amounts of the CGUs to materially exceed their recoverable amounts.

Notes to the Financial Statements 31 December 2017

22. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost:		
In Malaysia	236,527	149,018
Outside Malaysia	31,178	30,240
	267,705	179,258
Quoted shares in Malaysia, at cost	-	65,640
	267,705	244,898
ESOS granted to employees of subsidiaries	2,446	2,446
Non-cumulative redeemable convertible preference shares	611,375	182,815
Non-convertible redeemable preference shares	14,500	14,500
	896,026	444,659
Less: Impairment losses on investments in subsidiaries	(8,999)	(1,382)
	887,027	443,277
Market value of quoted shares #	-	40,797

In the previous financial year, the investment in quoted shares had not been impaired due to the fact that the recoverable amount, which was determined based on the discounted estimated future cash flows of the cash generating unit to which the assets belongs to, was higher than the carrying amount.

(a) In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

(b) Impairment losses on investments in subsidiaries amounting to RM7,617,000 (2016: RM1,382,000) have been recognised during the financial year in respect of certain subsidiaries due to continuous losses making of these subsidiaries. The net carrying amounts of investments in these subsidiaries amounted to RM139,104,000 as at 31 December 2017.

Management has made estimates about the future results and key assumptions applied to cash flow projections of these subsidiaries in determining their recoverable amounts using the value-in-use model. These key assumptions include forecast growth in future revenues and budgeted gross margins, as well as determining an appropriate pre-tax discount rate, growth rates and terminal values.

(c) During the financial year, the privatisation of Ekowood International Berhad was completed by way of issuance of 11,390,066 ordinary shares at RM1.92 each and it is now a wholly-owned subsidiary of the Company as further disclosed in Note 45 to the financial statements.

(d) On 1 August 2017, the Company announced that it had acquired 100 ordinary shares of SGD1.00 each of the issued and paid-up share capital of TSH Agri Pte. Ltd. ("TSH Agri"), for a total consideration of SGD100 (equivalent to RM300). Subsequently on 8 September 2017, the Company had further subscribed for an additional 299,900 ordinary shares of SGD1.00 each, representing 100% of the issued and paid-up share capital of TSH Agri for a total consideration of SGD299,900 (equivalent to RM938,000). The above incorporation and subscription of ordinary shares of TSH Agri did not have any material financial effect to the Group.

Notes to the Financial Statements 31 December 2017

22. INVESTMENTS IN SUBSIDIARIES *(continued)*

(e) During the financial year, the Company subscribed for an additional 210,401,140 non-cumulative redeemable convertible preference shares in certain subsidiaries. The consideration for the subscription amounting to RM428,560,000 was satisfied by way of capitalisation of amounts due to the Company.

(f) The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2017 %	2016 %	% of ownership held by non-controlling interest 2017 %	2016 %
Held by the Company:						
TSH Plantation Sdn. Bhd. [i]	Malaysia	Operation of palm oil mills and investment holding	100	100	-	-
CocoaHouse Industries Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
CocoaHouse Sdn. Bhd. [i]	Malaysia	Manufacture and sale of cocoa products and investment holding	100	100	-	-
Ekowood International Berhad [i]	Malaysia	Manufacture and sale of downstream wood products	100	67.46	-	32.54
TSH Bio-Gas Sdn. Bhd. [i]	Malaysia	Operation of biogas power plant	100	100	-	-
TSH Forestry (Sabah) Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
LKSK Sdn. Bhd. [i]	Malaysia	Oil palm plantations	51	51	49	49
TSH Sabahan Oil Mill Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
Tan Soon Hong Holdings Sdn. Bhd. [i]	Malaysia	Oil palm plantations and investment holding	100	100	-	-
Ekowood Energy Sdn. Bhd. [v]	Malaysia	Dormant	-	100	-	-
TSH Bio-Energy Sdn. Bhd. [i]	Malaysia	Operation of a power plant	100	100	-	-
TSH Timber Industries Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
POME Energy Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
TSH BioDiesel Sdn. Bhd. [v]	Malaysia	Dormant	-	100	-	-
Landquest Sdn. Bhd. [i]	Malaysia	Oil palm plantations	56.68	56.68	43.32	43.32
Andalas Agro Industri Limited [iv]	Seychelles	Investment holding	100	100	-	-
PT Aramico Komoditi [ii/iv]	Indonesia	Dormant	74.42	74.42	25.58	25.58
TSH Logistics Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
Eko Paper International Sdn. Bhd. [v]	Malaysia	Dormant	-	100	-	-
Polar Vertix Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-

Notes to the Financial Statements 31 December 2017

22. INVESTMENTS IN SUBSIDIARIES (*continued*)

(f) The details of the subsidiaries are as follows: (*continued*)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2017 %	2016 %	% of ownership held by non-controlling interest 2017 %	2016 %
Held by the Company: (*continued*)						
Jatoba International Pte. Ltd. [iv]	Singapore	Investment holding	100	100	-	-
TSH Sukuk Ijarah Sdn. Bhd. [i]	Malaysia	Undertake of Islamic Securities transactions	100	100	-	-
Elaeis Oversea Pte. Ltd. [iv]	Singapore	Investment holding	100	100	-	-
Martinique Cove Pte. Ltd. [iv]	Singapore	Investment holding	100	100	-	-
BioWorld Enterprise Sdn. Bhd. [v]	Malaysia	Investment holding	-	100	-	-
GlobeFlex Advisory Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
TSH Sukuk Musyarakah Sdn. Bhd. [i]	Malaysia	Undertake of Islamic Securities transactions	100	100	-	-
Halaman Semesta Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
Bagan Agresif Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
Casa Logistic Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
Rinukut Sdn. Bhd. [i]	Malaysia	Investment holding	70	70	30	30
TSH Sukuk Murabahah Sdn. Bhd. [i]	Malaysia	Undertake of Islamic Securities transactions	100	100	-	-
Icon Field Ventures Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
TSH Agri Pte. Ltd. [vi]	Singapore	Investment holding	100	-	-	-
Held through Ekowood International Berhad						
TSH Products Sdn. Bhd. [i]	Malaysia	Dormant	100	67.46	-	32.54
Ekowood Iberica, S.L. [iii]	Spain	Trading of wood products	99.96	67.43	0.04	32.57
Ekowood Malaysia Sdn. Bhd. [i]	Malaysia	Supply and installation of timber flooring	100	67.46	-	32.54
EkoLoc System Sdn. Bhd. [i]	Malaysia	Supply and installation of timber strips panel flooring and sub-licensing of strip lock system	100	67.46	-	32.54

Notes to the Financial Statements 31 December 2017

22. INVESTMENTS IN SUBSIDIARIES (*continued*)

(f) The details of the subsidiaries are as follows: (*continued*)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2017 %	2016 %	% of ownership held by non-controlling interest 2017 %	2016 %
Held through Ekowood International Berhad (*continued*)						
Ekowood (USA) Inc. [iii]	United States of America	Trading of wood products	100	67.46	-	32.54
Ekowood S.A. [iii]	Luxembourg	Trading of wood products	70	47.22	30	52.78
Held through TSH Plantation Sdn. Bhd.						
TSH Plantation Management Sdn. Bhd. [i]	Malaysia	Oil palm plantations and operation of a palm oil mill	100	100	-	-
TSH Biotech Sdn. Bhd. [i]	Malaysia	Undertake oil palm ramets and other tissue culture projects	100	100	-	-
TSH Forest Plantation Sdn. Bhd. [i]	Malaysia	Forest plantation	100	100	-	-
Held through CocoaHouse Sdn. Bhd.						
PT Sinar Bersatu [iv]	Indonesia	Dormant	99	99	1	1
Afromal Cocoa Limited [iii/ii]	Ghana	Dormant	100	100	-	-
Held through Tan Soon Hong Holdings Sdn. Bhd.						
TSH Palm Products Sdn. Bhd. [i]	Malaysia	Oil palm plantations and investment holding	100	100	-	-
Held through TSH Palm Products Sdn. Bhd.						
Eko Pulp & Paper Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
Held through Andalas Agro Industri Limited						
PT Andalas Agro Industri [iv]	Indonesia	Operation of a palm oil mill and investment holding	70	70	30	30
PT Andalas Wahana Berjaya [iv]	Indonesia	Oil palm plantations	70	70	30	30

Notes to the Financial Statements 31 December 2017

22. INVESTMENTS IN SUBSIDIARIES (*continued*)

(f) The details of the subsidiaries are as follows: (*continued*)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2017 %	% of ownership interest held by the Group 2016 %	% of ownership held by non-controlling interest 2017 %	% of ownership held by non-controlling interest 2016 %
Held through Jatoba International Pte. Ltd.						
PT Sarana Prima Multi Niaga [iv]	Indonesia	Oil palm plantations and operation of a mill	90	90	10	10
PT Teguh Swakarsa Sejahtera [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through PT Andalas Agro Industri						
PT Laras Internusa [iv]	Indonesia	Oil palm plantations	69.77	69.77	30.23	30.23
Held through Elaeis Oversea Pte. Ltd.						
PT Farinda Bersaudara [iv]	Indonesia	Oil palm plantations and operation of a palm oil mill	90	90	10	10
Held through Martinique Cove Pte. Ltd.						
PT Mitra Jaya Cemerlang [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through BioWorld Enterprise Sdn. Bhd.						
Bisa Jaya Sdn. Bhd. [vi]	Malaysia	Dormant	-	100	-	-
Held through GlobeFlex Advisory Sdn. Bhd.						
PT Karya Unggulan Cemerlang [iv]	Indonesia	Provision of management services	90	90	10	10
Held through TSH Logistics Sdn. Bhd.						
PT Bulungan Citra Agro Persada [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through Halaman Semesta Sdn. Bhd.						
PT Munte Waniq Jaya Perkasa [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through Bagan Agresif Sdn. Bhd.						
PT Andalas Wahana Sukses [iv]	Indonesia	Oil palm plantations	90	90	10	10

Notes to the Financial Statements 31 December 2017

22. INVESTMENTS IN SUBSIDIARIES (*continued*)

(f) The details of the subsidiaries are as follows: (*continued*)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group 2017 %	% of ownership interest held by the Group 2016 %	% of ownership held by non-controlling interest 2017 %	% of ownership held by non-controlling interest 2016 %
Held through Casa Logistic Sdn. Bhd.						
PT Perkebunan Sentawar Membangun [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through Rinukut Sdn. Bhd.						
RT Plantations Sdn. Bhd. [i] (f.k.a Rinukut Plantations Sdn. Bhd.)	Malaysia	Oil palm plantations	42	42	58	58
Held through Icon Field Ventures Sdn. Bhd.						
PT Prima Usaha Sukses [iv]	Indonesia	Oil palm plantations	90	90	10	10

[i] Audited by BDO, Malaysia.

[ii] These subsidiaries were placed under members' voluntary winding-up in previous financial years.

[iii] Audited by BDO, Malaysia for the purpose of consolidation in the financial statements of the Group.

[iv] Not audited by BDO or member firms of BDO International.

[v] Struck off under section 308 of the Companies Act, 1965 and did not have any material effect to the results of the Group during the financial year.

[vi] Audited by BDO Member Firms.

(g) Material partly-owned subsidiaries

Summarised financial information of PT Andalas Agro Industri, Jatoba International Pte. Ltd., Elaeis Oversea Pte. Ltd., LKSK Sdn. Bhd., Landquest Sdn. Bhd., Rinukut Sdn. Bhd. and Ekowood International Berhad which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests ("NCI") in respect of other subsidiaries is not material to the Group.

22. INVESTMENTS IN SUBSIDIARIES *(continued)*

(g) Material partly-owned subsidiaries *(continued)*

(i) Summarised statements of financial position

	PT Andalas Agro Industri		Jatoba International Pte. Ltd.		Elaeis Oversea Pte. Ltd.		LKSK Sdn. Bhd.		Landquest Sdn. Bhd.		Rinukut Sdn. Bhd.		Ekowood International Berhad*
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2016 RM'000
Assets and liabilities													
Non-current assets	137,923	154,324	370,960	411,282	319,856	368,074	47,005	57,553	27,448	27,653	69,831	103,844	35,597
Current assets	47,262	28,836	40,325	44,477	27,727	58,126	4,604	17,228	1,654	2,323	6,510	7,883	83,770
Total assets	185,185	183,160	411,285	455,759	347,583	426,200	51,609	74,781	29,102	29,976	76,341	111,727	119,367
Current liabilities	16,853	11,474	24,280	16,063	12,464	15,795	648	1,725	177	341	75,252	63,924	25,939
Non-current liabilities	20,847	35,664	15,483	135,901	250,743	455,119	10,048	10,132	5,204	5,249	-	11,816	-
Total liabilities	37,700	47,138	39,763	151,964	263,207	470,914	10,696	11,857	5,381	5,590	75,252	75,740	25,939
Net assets/(liabilities)	147,485	136,022	371,522	303,795	84,376	(44,714)	40,913	62,924	23,721	24,386	1,089	35,987	93,428
Carrying amounts of NCI	47,585	40,805	23,861	21,979	(3,437)	(3,586)	19,367	30,833	10,923	11,211	21,251	20,806	28,574

* The financial information for year 2017 is not presented as Ekowood International Berhad became a wholly-owned subsidiary of the Company during the financial year.

22. INVESTMENTS IN SUBSIDIARIES *(continued)*

(g) Material partly-owned subsidiaries *(continued)*

(ii) Summarised statements of comprehensive income

	PT Andalas Agro Industri		Jatoba International Pte. Ltd.		Elaeis Oversea Pte. Ltd.		LKSK Sdn. Bhd.		Landquest Sdn. Bhd.		Rinukut Sdn. Bhd.		Ekowood International Berhad*
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2016 RM'000
Results													
Revenue	85,532	80,893	137,531	104,955	125,383	82,902	12,848	13,111	3,444	3,260	2,003	563	51,944
Profit/(Loss) for the year	28,216	17,240	40,277	25,752	(8,592)	(1,191)	13,281	4,499	836	229	770	119	(1,554)
Total comprehensive income/(loss) for the year	27,783	17,339	40,165	25,715	(9,161)	(1,521)	13,281	4,499	836	229	770	119	(1,578)
Profit/(Loss) allocated to NCI	8,975	4,641	4,740	1,521	(176)	(1,520)	6,508	2,205	362	99	445	68	(586)

* The financial information for year 2017 is not presented as Ekowood International Berhad became a wholly-owned subsidiary of the Company during the financial year.

22. INVESTMENTS IN SUBSIDIARIES *(continued)*

(g) Material partly-owned subsidiaries *(continued)*

(iii) Summarised cash flows

	PT Andalas Agro Industri		Jatoba International Pte. Ltd.		Elaeis Oversea Pte. Ltd.		LKSK Sdn. Bhd.		Landquest Sdn. Bhd.		Rinukut Sdn. Bhd.		Ekowood International Berhad*
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2016 RM'000
Net cash flows from/ (used in) operating activities	62,500	46,440	(31,976)	119,780	10,697	62,125	16,018	5,936	1,871	(268)	1,211	591	(733)
Net cash flows (used in)/ from investing activities	(31,824)	(9,088)	(20,419)	(88,633)	3,149	(222,910)	12,958	(1,879)	(172)	(123)	(1,929)	(36)	72
Net cash flows (used in)/ from financing activities	(19,328)	(34,916)	54,505	(36,578)	(15,271)	163,465	(30,400)	(1,960)	(1,500)	(433)	-	-	(625)
Net increase/ (decrease) in cash and cash equivalents	11,348	2,436	2,110	(5,431)	(1,425)	2,680	(1,424)	2,097	199	(824)	(718)	555	(1,286)
Effect of exchange rate changes	(427)	108	(549)	340	(889)	381	-	-	-	-	-	-	(26)
Cash and cash equivalents at beginning of the year	4,071	1,527	5,278	10,369	8,454	5,393	3,843	1,746	431	1,255	1,138	583	1,441
Cash and cash equivalents at end of the year	14,992	4,071	6,839	5,278	6,140	8,454	2,419	3,843	630	431	420	1,138	129

* The financial information for year 2017 is not presented as Ekowood International Berhad became a wholly-owned subsidiary of the Company during the financial year.

Notes to the Financial Statements 31 December 2017

23. INVESTMENT IN AN ASSOCIATE

	Company		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Quoted shares in Malaysia, at cost	61,259	61,259	61,259	61,259
Share of post-acquisition reserves	24,558	19,590	-	-
	85,817	80,849	61,259	61,259
Fair value of investment in an associate for which there is published price quotation	122,921	117,668	122,921	117,668

(a) Investment in an associate is measured at cost in the separate financial statements of the Company and is accounted for using the equity method in the consolidated financial statements.

(b) The details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Effective interest 2017 %	Effective interest 2016 %
Innoprise Plantations Berhad*	Malaysia	Log extraction contractor, operation of oil palm plantations and palm oil mill, and producer and supplier of renewable energy	21.94	21.97

* *Not audited by BDO or member firms of BDO International.*

(c) The financial year end of the above associate is coterminous with those of the Group.

(d) The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

(i) Summarised statements of financial position

	2017 RM'000	2016 RM'000
Assets and liabilities		
Current assets	24,880	35,203
Non-current assets	407,823	382,424
Total assets	432,703	417,627
Current liabilities	33,607	30,639
Non-current liabilities	57,451	68,422
Total liabilities	91,058	99,061
Net assets	341,645	318,566

Notes to the Financial Statements 31 December 2017

23. INVESTMENT IN AN ASSOCIATE (*continued*)

(d) The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows: (*continued*)

(ii) Summarised statements of comprehensive income

	2017 RM'000	2016 RM'000
Results		
Revenue	138,211	135,286
Profit for the year	41,873	32,637
Total comprehensive income	41,873	32,637

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate.

	2017 RM'000	2016 RM'000
Net assets at 1 January	318,566	249,460
Total comprehensive income	41,873	32,637
Transaction with owners	(18,794)	36,469
Net assets at 31 December	341,645	318,566
Interest in associate (%)	21.94%	21.97%
	74,957	69,989
Goodwill	10,860	10,860
Carrying value of Group's interest in associate	85,817	80,849

(iv) Dividends received from associate during the financial year amounted to RM4,203,000 (2016: RM Nil).

(v) The fair value of quoted shares in Malaysia is determined by reference to the exchange quoted market bid prices at the close of the business at the end of reporting period.

24. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	20,750	20,750	20,750	20,750
Share of post-acquisition reserves	52,557	55,022	-	-
	73,307	75,772	20,750	20,750

Notes to the Financial Statements 31 December 2017

24. INVESTMENTS IN JOINT VENTURES (*continued*)

The Group has 50% of the voting rights of its joint arrangements. Under the contractual arrangements, unanimous consent is required from all parties to the agreements for all relevant activities. The Group's interest in joint ventures is accounted for using the equity method in the consolidated financial statements. In the separate financial statements of the Company, investments in joint ventures are measured at cost.

The joint arrangements are structured via separate entities and provide the Group with the rights to the net assets of the entities under the arrangements. Therefore, these entities are classified as joint ventures of the Group.

(a) Details of the joint ventures are as follows:

Name of joint ventures	Country of incorporation	Principal activities	Effective interest 2017 %	Effective interest 2016 %
TSH-Wilmar Sdn. Bhd.*	Malaysia	Operation of palm oil refinery mill and kernel crushing plan	50	50
TSH-Wilmar (BF) Sdn. Bhd.*	Malaysia	Operation of a power plant	50	50

* *Audited by BDO, Malaysia.*

These joint ventures have the same reporting period as the Group.

(b) Summarised financial information of TSH-Wilmar Sdn. Bhd. and TSH-Wilmar (BF) Sdn. Bhd. is set out below. The summarised information represents the amounts in the MFRS financial statements of the joint ventures and not the Group's share of those amounts.

(i) Summarised statements of financial position

	TSH-Wilmar Sdn. Bhd.		TSH-Wilmar (BF) Sdn. Bhd.	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current assets	51,672	52,524	5,343	10,619
Cash and cash equivalents	16,416	23,600	334	300
Other current assets	312,199	249,632	13,315	1,135
Total current assets	328,615	273,232	13,649	1,435
Total assets	380,287	325,756	18,992	12,054
Current liabilities (excluding trade and other payables and provisions)	179,454	89,990	-	-
Trade and other payables and provisions	63,675	84,763	1,777	1,834
Total current liabilities	243,129	174,753	1,777	1,834
Non-current liabilities (excluding trade and other payables and provisions)	5,698	5,709	795	2,028
Total liabilities	248,827	180,462	2,572	3,862
Net assets	131,460	145,294	16,420	8,192

24. INVESTMENT IN JOINT VENTURES (*continued*)

(b) Summarised financial information of TSH-Wilmar Sdn. Bhd. and TSH-Wilmar (BF) Sdn. Bhd. is set out below. The summarised information represents the amounts in the MFRS financial statements of the joint ventures and not the Group's share of those amounts. (continued)

(ii) Summarised statements of comprehensive income

	TSH-Wilmar Sdn. Bhd.		TSH-Wilmar (BF) Sdn. Bhd.	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Revenue	2,134,330	1,845,921	28,755	23,829
Depreciation and amortisation	2,052	9,079	5,576	6,005
Interest income	924	721	201	171
Interest expense	(5,126)	(3,701)	-	-
Profit before tax	6,440	25,109	7,044	5,881
Income tax expense	(274)	(7,181)	1,184	(1,506)
Profit after tax, represent total comprehensive income	6,166	17,928	8,228	4,375

(c) Reconciliations of the summarised financial information presented above to the carrying amount of the Group's interest in joint ventures are as follows:

	TSH-Wilmar Sdn. Bhd.		TSH-Wilmar (BF) Sdn. Bhd.	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Net assets at 1 January	145,294	127,366	8,192	29,817
Profit for the year	6,166	17,928	8,228	4,375
Dividend	(20,000)	-	-	(26,000)
Net assets at 31 December	131,460	145,294	16,420	8,192
Interest in joint ventures	50%	50%	50%	50%
	65,730	72,647	8,210	4,096
Unrealised profit on inventories	(633)	(971)	-	-
Carrying value of Group's interest in joint ventures	65,097	71,676	8,210	4,096

Dividends received from joint ventures during the financial year amounted to RM10,000,000 (2016: RM13,000,000).

25. DEFERRED TAX

(a) Deferred tax as at 31 December related to the following:

Group	At 1 January 2016 RM'000	Recognised in profit or loss (Note 15) RM'000	Exchange differences RM'000	At 31 December 2016/ 1 January 2017 RM'000	Recognised in profit or loss (Note 15) RM'000	Exchange differences RM'000	At 31 December 2017 RM'000
Deferred tax liabilities:							
Property, plant and equipment	90,401	1,707	(228)	91,880	2,092	(1,421)	92,551
Biological assets	66,171	1,095	60	67,326	4,616	32	71,974
Land use rights	30,075	(1,458)	1,399	30,016	(2,353)	(1,705)	25,958
Others	19,654	(720)	(44)	18,890	2,336	(1,130)	20,096
	206,301	624	1,187	208,112	6,691	(4,224)	210,579
Deferred tax assets:							
Tax losses and unabsorbed capital allowances	(73,157)	8,448	(1,142)	(65,851)	(7,633)	1,215	(72,269)
Others	(2,904)	(236)	(221)	(3,361)	(635)	2,403	(1,593)
	(76,061)	8,212	(1,363)	(69,212)	(8,268)	3,618	(73,862)
	130,240	8,836	(176)	138,900	(1,577)	(606)	136,717

25. DEFERRED TAX (*continued*)

(a) Deferred tax as at 31 December related to the following: (*continued*)

Company	At 1 January 2016 RM'000	Recognised in profit or loss (Note 15) RM'000	Recognised in other comprehensive income RM'000	At 31 December 2016/ 1 January 2017 RM'000	Recognised in profit or loss (Note 15) RM'000	Recognised in other comprehensive income RM'000	At 31 December 2017 RM'000
Deferred tax liabilities:							
Property, plant and equipment	14,939	(182)	-	14,757	24	-	14,781
Biological assets	47,280	395	-	47,675	444	-	48,119
	62,219	213	-	62,432	468	-	62,900
Deferred tax assets:							
Tax losses and unabsorbed capital allowances	(38,767)	(2,585)	-	(41,352)	(3,580)	-	(44,932)
	23,452	(2,372)	-	21,080	(3,112)	-	17,968

Notes to the Financial Statements 31 December 2017

25. DEFERRED TAX *(continued)*

(b) Presented after appropriate offsetting:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Deferred tax assets	(19,304)	(18,543)	-	-
Deferred tax liabilities	156,021	157,443	17,968	21,080
	136,717	138,900	17,968	21,080

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2017 RM'000	**2016 RM'000**
Unused tax losses	158,876	138,837
Unabsorbed capital allowances	19,559	20,776
Other deductible temporary differences	4,738	4,955
	183,173	164,568

(c) Unrecognised tax losses

Unused tax losses of certain foreign subsidiaries amounting to RM12,234,000 (2016: RM13,560,000) and RM39,158,000 (2016: RM36,938,000) are available for carry forward in the jurisdiction in which the foreign subsidiaries operate for a period of 20 years and 5 years respectively from the year in which those tax losses arose.

The unused tax losses and unabsorbed capital allowances of Malaysian companies are available for offsetting against future taxable profits of the respective subsidiaries subject to no substantial changes in shareholdings of the subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

(d) Unrecognised temporary differences relating to investments in subsidiaries

At the end of reporting period, no deferred tax liability has been recognised for taxes that would be payable on the non-distributable earnings of certain of the Group's foreign subsidiaries as the Group has determined that the undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Notes to the Financial Statements 31 December 2017

26. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade receivables				
Third parties	42,654	39,598	154	219
Joint ventures	5,717	13,183	-	-
Retention sums on contract (Note 30)	2,338	1,906	-	-
	50,709	54,687	154	219
Less: Allowance for impairment				
Third parties	(9,295)	(8,404)	-	-
Trade receivables, net	41,414	46,283	154	219
Other receivables				
Amounts due from related parties:				
- subsidiaries	-	-	79,470	599,664
- joint ventures	262	206	11	21
	262	206	79,481	599,685
Plasma receivables (Note 26(d))	19,432	20,365	-	-
Other deposits	1,733	4,729	323	3,628
Sundry receivables	24,337	62,577	3,979	12,909
	45,764	87,877	83,783	616,222
Less: Allowance for impairment	(1,314)	(1,314)	(1,270)	(1,270)
	44,450	86,563	82,513	614,952
	85,864	132,846	82,667	615,171
Non-current				
Other receivables				
Amounts due from subsidiaries	-	-	909,364	996,171
Plasma receivables (Note 26(d))	42,837	31,738	-	-
Prepayment for acquisition of land use rights	41,758	46,098	-	-
Sundry receivables	8,369	9,352	-	-
	92,964	87,188	909,364	996,171
Less: Allowance for impairment	(14,714)	(16,165)	-	-
	78,250	71,023	909,364	996,171
Total trade and other receivables (current and non-current)	164,114	203,869	992,031	1,611,342
Add: Cash and bank balances and deposits (Note 33)	139,280	131,202	41,231	83,451
Total loans and receivables	303,394	335,071	1,033,262	1,694,793

Notes to the
Financial Statements 31 December 2017

26. TRADE AND OTHER RECEIVABLES (*continued*)

Trade and other receivables are classified as loans and receivables are measured at amortised cost using the effective interest method.

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2016: 30 to 90 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 and the Company's trade receivables are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	21,897	29,792	89	154
Past due, not impaired				
- 1 to 30 days	12,941	7,573	-	-
- 31 to 60 days	1,352	897	-	-
- 61 to 90 days	552	705	-	-
- 91 to 120 days	52	375	-	-
- More than 121 days	4,620	6,941	65	65
	19,517	16,491	65	65
Impaired	9,295	8,404	-	-
	50,709	54,687	154	219

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

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

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM19,517,000 (2016: RM16,491,000) and RM65,000 (2016: RM65,000) respectively that are past due at the reporting date but not impaired.

As at the end of the reporting period, trade receivables amounting to RM7,552,576 (2016: RM6,754,555) were insured by trade credit insurance underwritten by a reputable insurer in Malaysia. The remaining balances of receivables that are past due but not impaired are unsecured in nature. The Group is closely monitoring these receivables and is confident of their eventual recovery.

Notes to the Financial Statements 31 December 2017

26. TRADE AND OTHER RECEIVABLES (*continued*)

(a) Trade receivables (*continued*)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of reporting period and the movements of the allowance accounts used to record the impairment are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Individually impaired		
Trade receivables - nominal amounts	9,295	8,404
Less: Allowance for impairment	(9,295)	(8,404)
	-	-
Movements in allowance accounts:		
At 1 January	8,404	8,086
Charge for the year (Note 12)	1,354	836
Reversal of impairment loss (Note 10)	(16)	(393)
Exchange differences	(447)	(125)
At 31 December	9,295	8,404

Trade receivables that are individually determined to be impaired at the end of reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(b) Amounts due from subsidiaries

Except for the amounts due from certain subsidiaries totalling RM985,855,000 (2016: RM924,668,000) that bear interest at rates ranging from 4.50% to 8.15% (2016: 4.50% to 8.35%) per annum, the amounts due from other subsidiaries are non-interest bearing and are repayable on demand. All amounts are unsecured and are to be settled in cash.

Sensitivity analysis for fixed rate interest bearing amounts due from subsidiaries as at the end of the reporting period was not presented as they are not affected by changes in interest rates.

Notes to the Financial Statements 31 December 2017

26. TRADE AND OTHER RECEIVABLES (*continued*)

(c) Other receivables (current)

Included in sundry receivables of the Group are value-added-tax receivables amounting RM5,631,000 (2016: RM19,464,000).

Movements in allowance for impairment loss on other receivables (current):

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At 1 January	1,314	1,551	1,270	1,270
Write back	-	(237)	-	-
At 31 December	1,314	1,314	1,270	1,270

(d) Other receivables (non-current)

(i) Plasma receivables

The Indonesian government requires oil palm plantation companies to develop new plantations together with the local small landholders. This form of assistance to local small landholders is generally known as the "Plasma Scheme". Once developed, the plasma plantations are transferred to the small landholders who then operate the plasma plantations under the supervision of the developer. In line with this requirement, certain subsidiaries have commitments to develop plantations under the Plasma Scheme. The funding for the development of the plantations under the Plasma Scheme is provided by the designated banks and/or by the subsidiaries. The subsidiaries also provide corporate guarantees for the loans advanced by the banks.

When the plasma plantations start to mature, the plasma farmers are obliged to sell all their harvests to the subsidiaries and a portion of the resulting proceeds will be used to repay the loans from the banks and/or the subsidiaries.

The Group through this partnership scheme also provides technical assistance to the plasma farmers to maintain the productivity of plasma plantations as part of the Group's strategy to strengthen relationship with plasma farmers. This is expected to improve the repayments of plasma receivables.

In situations where the sales proceeds are insufficient to meet the repayment obligations to the banks, the subsidiaries also provide temporary funding to the plasma farmers to develop the plasma plantations and to repay the instalment and interest payments to the banks. The plasma farmers will repay the temporary funding to the subsidiaries once the plantations have positive cash flows.

Notes to the Financial Statements 31 December 2017

26. TRADE AND OTHER RECEIVABLES (*continued*)

(d) Other receivables (non-current) (*continued*)

(i) Plasma receivables (*continued*)

The accumulated development costs net of funds received are presented as plasma receivables in the consolidated statement of financial position under the Palm Products segment. An analysis of the movements in the plasma receivables is as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Balance at 1 January	52,103	71,536
Additional net investments /(Net repayments from)	10,166	(19,433)
	62,269	52,103
Less: Allowance for impairment	(10,135)	(9,703)
Balance at 31 December	52,134	42,400

Allowances for impairment are determined based on the differences between the carrying amounts and the recoverable amounts of the plasma receivables. The recoverable amount has been determined based on the expected repayment patterns after taking into consideration of various factors and information, including time value of money. These allowances for impairment are re-evaluated and adjusted as additional information is received.

(ii) Prepayment for acquisition of land use rights

The balance represents prepayments for acquisition of rights to use parcels of land located in Indonesia. The net carrying amount of the Group's prepayments for purchase of land use rights as of 31 December 2017 amounted to RM41,758,000 (2016: RM46,098,000).

(iii) Movements in allowance for impairment loss on non-current other receivables:

	Group	
	2017 RM'000	**2016 RM'000**
Balance at 1 January	16,165	11,632
(Write back)/Charge for the year	(1,451)	4,533
At 31 December	14,714	16,165

(iv) Non-current receivables are carried at amortised cost using the effective interest method and the discount rates used are based on the incremental borrowing rate of the Group.

Notes to the Financial Statements 31 December 2017

26. TRADE AND OTHER RECEIVABLES (*continued*)

(e) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of reporting period are as follows:

	Group			
	2017		2016	
	RM'000	% of total	RM'000	% of total
By industry sectors:				
Palm products	22,456	54%	23,703	51%
Others	18,958	46%	22,580	49%
	41,414	100%	46,283	100%

As at the end of the reporting period, approximately:

- 14% (2016: 28%) of the trade receivables of the Group were due from related parties.
- 32% (2016: 21%) of the trade and other receivables of the Group were due from plasma receivables.
- 99% (2016: 99%) of the trade and other receivables of the Company were due from subsidiaries.

27. INVESTMENT SECURITIES

	2017		2016	
	Carrying amount RM'000	Fair value of investments RM'000	Carrying amount RM'000	Fair value of investments RM'000
Group				
Current				
Held for trading investments				
- Equity instruments (quoted in Malaysia)	27	27	19	19
Non-current				
Available-for-sale financial assets				
- Equity instruments (unquoted)	50	50	5,064	5,064
Total investment securities	77	77	5,083	5,083
Company				
Current				
Held for trading investments				
- Equity instruments (quoted in Malaysia)	27	27	19	19
Non-current				
Available-for-sale financial assets				
- Equity instruments (unquoted)	50	50	50	50
Total investment securities	77	77	69	69

Notes to the Financial Statements 31 December 2017

27. INVESTMENT SECURITIES (*continued*)

(a) All regular way purchases and sales of financial assets (including loans and receivables) are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

(b) Fair value of quoted ordinary shares in Malaysia is determined by reference to the exchange quoted market bid prices at the close of the business on the end of reporting period.

(c) The fair value of quoted and unquoted equity instruments of the Group and of the Company is categorised as Level 1 and Level 3 respectively in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(d) The amount of unquoted shares is immaterial to the Group and the Company.

In the previous financial year, the valuation technique and significant unobservable input used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between key unobservable inputs and fair value are detailed in the table below.

Financial instrument	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair values
Financial assets		
Unquoted shares	Discounted industry price to book ratio 2016: 0.28.	The higher the price to book ratio, the higher the fair value of the unquoted shares would be.

(e) The following table shows a reconciliation of Level 3 fair values:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Balance at 1 January	50	5,064	50	50
Total gains or losses recognised in OCI	-	-	-	-
Balance at 31 December	50	5,064	50	50

(f) Sensitivity analysis for equity price risk

At the end of reporting period, if the FTSE Bursa Malaysia KLCI had been 5% higher/lower, with all other variables held constant, the impact to the Group's other reserve in equity would be minimal.

Notes to the Financial Statements 31 December 2017

28. INVENTORIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost				
Raw materials	10,480	16,393	-	-
Work-in-progress	24,397	24,656	-	-
Finished goods	75,327	61,008	947	819
Stores and supplies	77,949	95,647	759	854
	188,153	197,704	1,706	1,673
Net realisable value				
Work-in-progress	3,984	3,984	-	-
Finished goods	19,400	35,901	-	-
	23,384	39,885	-	-
	211,537	237,589	1,706	1,673

(a) Cocoa products are valued on the first-in first-out method whereas oil palm and wood products are valued on the weighted average method.

(b) During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company were RM679,618,000 (2016: RM551,582,000) and RM4,596,000 (2016: RM3,582,000) respectively.

(c) A write down of inventories to net realisable value of RM4,108,000 (2016: RM5,348,000) was made during the financial year.

(d) The Group reversed RM195,000 (2016: Nil) in respect of inventories written down in the previous financial years that was subsequently not required as the Group was able to sell those inventories above their carrying amounts.

29. OTHER CURRENT ASSETS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Due from customers on service contracts (Note 30)	65	-	-	-
Prepayments	18,321	27,456	25	39
	18,386	27,456	25	39

30. DUE FROM/(TO) CUSTOMERS ON SERVICE CONTRACTS

	Group	
	2017 RM'000	2016 RM'000
Installation service costs incurred to date	28,136	14,794
Attributable profits	5,872	1,389
	34,008	16,183
Less: Progress billings	(33,943)	(16,656)
Due from/(to) customers on service contracts (Note 29 and Note 39)	65	(473)
Advances received on contracts, included within other payables (Note 39)	(202)	(188)
Retention sums on contract, included within trade receivables (Note 26)	2,338	1,906

The Group provides flooring installation works on contract basis for timber flooring supplied to customers.

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

Where the outcome of a service contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

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

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

Notes to the Financial Statements 31 December 2017

31. DERIVATIVES

	2017			2016		
	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000
Group						
Non-hedging derivatives:						
Current						
Forward currency contracts	29,685	376	-	35,589	-	(1,116)
Commodity futures contracts	60,945	5,048	(124)	115,321	836	(9,127)
		5,424	(124)		836	(10,243)
Company						
Non-hedging derivatives:						
Current						
Commodity futures contracts	606	45	-	1,029	-	(148)

(a) The Group uses forward currency contracts and commodity futures contract to manage some of its transactions exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales denominated in USD, GBP and Euro.

(b) The commodity futures contracts are used to hedge prices fluctuation of CPO and cocoa commodity.

(c) During the financial year, the Group and the Company recognised a net gain of RM14,707,000 (2016: net loss of RM9,798,000) and net gain of RM193,000 (2016: net gain of RM74,000) respectively arising from fair value changes of derivative assets and derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

(d) Fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Fair value of outstanding commodity future contracts is calculated by reference to quoted market prices.

Notes to the Financial Statements 31 December 2017

31. DERIVATIVES (*continued*)

(e) The maturity profile of derivative liabilities of the Group and of the Company at the end of reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2017				
Derivative liabilities	124	-	-	124
As at 31 December 2016				
Derivative liabilities	10,243	-	-	10,243
Company				
As at 31 December 2016				
Derivative liabilities	148	-	-	148

(f) Commodity future contracts are categorised as Level 1 in the fair value hierarchy, whilst forward currency contracts are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

32. SHORT TERM FUNDS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term investments	-	144	-	144

Short-term investments represented unit trust fund that invests in money market instrument, deposits and cash. The unit trust fund aimed to provide investors with capital preservation, liquidity and reasonable return.

33. CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash at banks and on hand	90,735	111,003	31,442	74,203
Deposits with licensed banks	48,545	20,199	9,789	9,248
Cash and bank balances	139,280	131,202	41,231	83,451

Notes to the Financial Statements 31 December 2017

33. CASH AND BANK BALANCES (*continued*)

(a) Deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates.

The effective interest rate of deposits with both licensed banks of the Group and of the Company ranged from 1.75% to 6.65% (2016: 2.30% to 6.75%) and 2.30% to 2.95% (2016: 2.30% to 2.90%) per annum respectively.

(b) Deposits with licensed banks of the Group amounting to RM6,114,000 (2016: RM2,410,000) are pledged as securities for bank guarantees facilities granted.

(c) For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances and deposits	139,280	131,202	41,231	83,451
Less:				
Bank overdrafts (Note 37)	(3,376)	(3,367)	-	-
Deposits pledged with licensed banks	(6,114)	(2,410)	-	-
Deposits with maturity of over 3 months	(1,886)	(914)	-	-
Cash and cash equivalents	127,904	124,511	41,231	83,451

(d) Sensitivity analysis for cash and bank balances at the end of the reporting period is not presented as fixed rate instrument is not affected by changes in interest rates.

34. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of ordinary shares		Amount			
	Share capital (issued and fully paid) '000	Treasury shares '000	Share capital (Issued and fully paid) RM'000	Share premium RM'000	Total share capital and share premium RM'000	Treasury shares RM'000
At 1 January 2016	1,345,412	(3)	672,706	1,301	674,007	(6)
Purchase of treasury shares	-	(1)	-	-	-	(2)
At 31 December 2016	1,345,412	(4)	672,706	1,301	674,007	(8)
At 1 January 2017	1,345,412	(4)	672,706	1,301	674,007	(8)
Issuance of ordinary shares for privatisation undertaken, net of expenses (Note 45)	11,390	-	21,834	-	21,834	-
Issuance of ordinary shares for private placement, net of expenses	25,000	-	41,227	-	41,227	-
Transfer pursuant to Companies Act 2016	-	-	4,745	(1,301)	3,444	-
At 31 December 2017	1,381,802	(4)	740,512	-	740,512	(8)

34. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (*continued*)

(a) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) During the financial year, the Company increased its number of issued and fully paid-up ordinary shares by way of issuance of:

(i) 11,390,066 ordinary shares at RM1.92 each pursuant to the privatisation of a subsidiary, Ekowood International Berhad, undertaken by the Company as disclosed in Note 45 to the financial statements; and

(ii) 25,000,000 ordinary shares for private placement at RM1.65 each for cash.

(c) With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account and capital redemption reserve of RM1,301,000 and RM3,444,000 respectively have been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

Treasury shares

Reacquired shares are classified as treasury shares, recognised based on the amount of consideration paid and presented as a deduction from total equity.

This amount relates to the acquisition cost of treasury shares. The shareholders of the Company, by an ordinary resolution passed in an annual general meeting held on 25 May 2017, renewed their approval for the Company's plan to repurchase its own ordinary shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

The Company did not make any purchase of its own shares and none of the treasury shares held were resold or cancelled during the financial year.

Of the total 1,381,802,509 (2016: 1,345,412,443) issued and fully paid ordinary shares as at 31 December 2017, 4,000 (2016: 4,000) are held as treasury shares by the Company. As at 31 December 2017, the number of outstanding ordinary shares in issue after set off is therefore 1,381,798,509 (2016: 1,345,408,443) ordinary shares.

Notes to the Financial Statements 31 December 2017

35. OTHER RESERVES

	Asset revaluation reserve RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Share of associate reserve RM'000	Total RM'000
Group					
At 31 December 2015/ 1 January 2016	114,065	13,074	20,096	203	147,438
Other comprehensive income:					
Foreign currency translation	-	-	118,394	-	118,394
	114,065	13,074	138,490	203	265,832
Grant of equity-settled share options to employee by an associate	-	-	-	28	28
Revaluation reserve realised upon depreciation charged	(2,312)	-	-	-	(2,312)
	(2,312)	-	-	28	(2,284)
At 31 December 2016	111,753	13,074	138,490	231	263,548
At 31 December 2016/ 1 January 2017	111,753	13,074	138,490	231	263,548
Other comprehensive income:					
Foreign currency translation	-	-	(188,718)	-	(188,718)
	111,753	13,074	(50,228)	231	74,830
Exercise of equity-settled employees share options by an associate	-	-	-	(16)	(16)
Revaluation reserve realised upon depreciation charged	(2,312)	-	-	-	(2,312)
Transfer pursuant to Companies Act 2016	-	(3,444)	-	-	(3,444)
	(2,312)	(3,444)	-	(16)	(5,772)
At 31 December 2017	109,441	9,630	(50,228)	215	69,058

35. OTHER RESERVES (*continued*)

	Asset revaluation reserve RM'000	Capital reserve RM'000	Total RM'000
Company			
At 1 January 2016	28,782	3,444	32,226
Other comprehensive income:			
Revaluation reserve realised upon depreciation charged	(464)	-	(464)
At 31 December 2016	28,318	3,444	31,762
At 31 December 2016/1 January 2017	28,318	3,444	31,762
Other comprehensive income:			
Transfers pursuant to Companies Act 2016	-	(3,444)	(3,444)
Revaluation reserve realised upon depreciation charged	(464)	-	(464)
At 31 December 2017	27,854	-	27,854

The nature and purpose of each category of reserve are as follows:

(a) Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of leasehold land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(b) Capital reserve

This reserve comprises all the amounts capitalised arising from the redemption of non-cumulative redeemable preference shares in the subsidiaries and cancellation of treasury shares.

With the introduction of the Companies Act 2016 effective 31 January 2017, the amount of RM3,444,000 within the capital reserve has been transferred to the share capital account as disclosed in Note 34 to the financial statements.

(c) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items, which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(d) Share of associate reserve

This reserve represents the Group's share of reserve of the associate arising from the share options granted by the associate to its employees.

36. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings under the single tier system.

Notes to the Financial Statements 31 December 2017

37. LOANS AND BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short term borrowings				
Secured:				
Term loans	32,785	73,101	32,785	68,101
	32,785	73,101	32,785	68,101
Unsecured:				
Bank overdrafts	3,376	3,367	-	-
Bankers' acceptances	168,440	181,416	-	-
Foreign currency import loan	121	394	-	-
Revolving credits	294,068	322,972	288,067	300,772
Sukuk Ijarah Medium Term Notes	30,000	50,000	-	-
Sukuk Musyarakah Medium Term Notes	50,000	-	-	-
Term loans	70,300	32,175	60,300	32,175
	616,305	590,324	348,367	332,947
	649,090	663,425	381,152	401,048
Long term borrowings				
Secured:				
Term loans	100,269	196,451	100,269	171,451
	100,269	196,451	100,269	171,451
Unsecured:				
Sukuk Ijarah Medium Term Notes	270,000	250,000	-	-
Sukuk Musyarakah Medium Term Notes	-	50,000	-	-
Sukuk Murabahah Medium Term Notes	150,000	150,000	-	-
Term loans	273,165	220,333	258,165	220,333
	693,165	670,333	258,165	220,333
	793,434	866,784	358,434	391,784

Notes to the Financial Statements 31 December 2017

37. LOANS AND BORROWINGS (*continued*)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total borrowings				
Bank overdrafts	3,376	3,367	-	-
Bankers' acceptances	168,440	181,416	-	-
Foreign currency import loan	121	394	-	-
Revolving credits	294,068	322,972	288,067	300,772
Sukuk Ijarah Medium Term Notes	300,000	300,000	-	-
Terms loans	476,519	522,060	451,519	492,060
Sukuk Musyarakah Medium Term Notes	50,000	50,000	-	-
Sukuk Murabahah Medium Term Notes	150,000	150,000	-	-
	1,442,524	1,530,209	739,586	792,832

(a) Borrowings are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

(b) The effective interest rates per annum of loans and borrowings as at the end of reporting period were as follows:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Floating rate				
Bank overdrafts	7.10 - 8.19	7.10 - 7.90	7.10	7.10
Bankers' acceptances	3.20 - 4.50	2.97 - 4.49	-	-
Foreign currency import loan	0.52 - 2.22	1.40 - 2.52	-	-
Revolving credits	1.90 - 5.06	1.40 - 4.98	1.90 - 4.73	1.60 - 4.85
Terms loans	3.27 - 5.31	4.79 - 5.24	3.27 - 5.31	4.79 - 5.24
Fixed rate				
Sukuk Musyarakah Medium Term Notes	4.50	4.50	-	-
Sukuk Ijarah Medium Term Notes	4.58 - 5.30	4.58 - 5.30	-	-
Sukuk Murabahah Medium Term Notes	5.10 - 5.30	5.10 - 5.30	-	-

Notes to the Financial Statements 31 December 2017

37. LOANS AND BORROWINGS (*continued*)

(c) The Sukuk Musyarakah Medium Term Notes, Sukuk Murabahah Medium Term Notes and Sukuk Ijarah Medium Term Notes comprise the following tranches:

Tranche no.	Coupon rates	Maturity	2017 RM'000	2016 RM'000
Sukuk Musyarakah Medium Term Notes				
Tranche 1	4.50%	2018	50,000	50,000
Sukuk Murabahah Medium Term Notes				
Tranche 1	5.10%	2021	60,000	60,000
Tranche 2	5.30%	2023	90,000	90,000
			150,000	150,000
Sukuk Ijarah Medium Term Notes				
Tranche 17	4.60%	2017	-	50,000
Tranche 23	5.10%	2018	30,000	30,000
Tranche 19	4.58%	2019	25,000	25,000
Tranche 24	5.23%	2020	30,000	30,000
Tranche 25	5.30%	2023	15,000	15,000
Tranche 26	5.10%	2021	35,000	35,000
Tranche 27	5.05%	2021	115,000	115,000
Tranche 28	5.10%	2022	50,000	-
			300,000	300,000

(d) The borrowings of the Group and of the Company are secured by the following:

(i) A letter of negative pledge over the assets of the Company with certain bankers; and

(ii) Certain landed properties of the Group as follows:

	Group	
	2017 RM'000	2016 RM'000
Property, plant and equipment - buildings	38,444	41,827
Biological assets - oil palm plantations	574,881	748,342
Land use rights	29,143	41,223
	642,468	831,392

(e) Sukuk Ijarah Medium Term Notes

The Sukuk Programme is structured under the Shariah principle of Ijarah. TSH Sukuk Ijarah Sdn. Bhd., a wholly owned subsidiary of the Company, is the issuer of this programme.

The Sukuk Ijarah Medium Term Notes Programme will expire in 15 years respectively from the date of the first issuance. The profit rate for Medium Term Notes shall be determined at the point of issuance.

The Sukuk Ijarah Medium Term Notes was fully utilised as at 31 December 2017 and 2016.

Notes to the Financial Statements 31 December 2017

37. LOANS AND BORROWINGS (*continued*)

(f) Sukuk Musyarakah Medium Term Notes

The Kafalah Facility Agreement undertaken by a subsidiary, TSH Sukuk Musyarakah Sdn. Bhd. is guaranteed by Danajamin National Berhad ("Danajamin"). The Islamic financial guarantee facility granted by Danajamin is in accordance with the Shariah principle of Kafalah to guarantee the subsidiary's payment obligations under the Purchase Undertaking.

The Sukuk Musyarakah Medium Term Notes will expire in 7 years from the date of the first issuance in April 2011. The profit rate shall be determined at the point of issuance.

The Sukuk Musyarakah Medium Term Notes was fully utilised as at 31 December 2017 and 2016.

(g) Sukuk Murabahah Medium Term Notes

In the previous financial year, the subsidiary of Company, TSH Sukuk Murabahah Sdn. Bhd. issued the first series of Sukuk Murabahah Medium Term Notes amounted RM60,000,000 and RM90,000,000, in nominal value, for tenure of 5 years and 7 years respectively.

The Sukuk Murabahah Medium Term Notes was fully utilised as at 31 December 2017 and 2016.

(h) The maturity of the term loans is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Not later than 1 year	103,085	105,276	93,085	100,276
Later than 1 year and not later than 2 years	118,413	106,636	108,413	96,636
Later than 2 years and not later than 3 years	110,316	123,149	105,316	113,149
Later than 3 years and not later than 4 years	84,360	89,984	84,360	84,984
Later than 4 years and not later than 5 years	28,942	62,299	28,942	62,299
Later 5 years or more	31,403	34,716	31,403	34,716
	476,519	522,060	451,519	492,060

(i) The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair value due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of reporting period.

The carrying amounts of Sukuk Musyarakah Medium Term Notes, Sukuk Murabahah Medium Term Notes and Sukuk Ijarah Medium Term Notes, which bear fixed interest rates are reasonable approximation of their fair values and would not be significantly different from the values that would eventually be settled.

The fair value of borrowings is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

Notes to the Financial Statements 31 December 2017

37. LOANS AND BORROWINGS (*continued*)

(j) The maturity profile of loans and borrowings of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2017				
Loans and borrowings	688,006	745,248	151,144	1,584,398
As at 31 December 2016				
Loans and borrowings	705,434	829,964	148,930	1,684,328
Company				
As at 31 December 2017				
Loans and borrowings	396,377	348,774	40,977	786,128
As at 31 December 2016				
Loans and borrowings	417,802	386,184	35,185	839,171

(k) At the end of reporting period, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit/(loss) net of tax would have been RM1,160,000 (2016: RM705,000) and RM1,367,000 (2016: RM1,467,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense (net of interest expense capitalised) on loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Notes to the Financial Statements 31 December 2017

37. LOANS AND BORROWINGS (*continued*)

(l) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group and the Company's statements of cash flows as cash flows from financing activities.

	1.1.2017 RM'000	Cash flows RM'000	Non-cash changes RM'000	31.12.2017 RM'000
Group				
Bankers' acceptances	181,416	(12,976)	-	168,440
Foreign currency import loan	394	(277)	4	121
Revolving credits	322,972	(17,230)	(11,674)	294,068
Sukuk Musyarakah Medium Term Notes	50,000	-	-	50,000
Sukuk Murabahah Medium Term Notes	150,000	-	-	150,000
Sukuk Ijarah Medium Term Notes	300,000	-	-	300,000
Terms loans	522,060	(31,590)	(13,951)	476,519
Loans and borrowings	1,526,842	(62,073)	(25,621)	1,439,148
Company				
Revolving credits	300,772	(1,031)	(11,674)	288,067
Terms loans	492,060	(26,590)	(13,951)	451,519
Loans and borrowings	792,832	(27,621)	(25,625)	739,586

38. RETIREMENT BENEFITS

	Group	
	2017 RM'000	2016 RM'000
At 1 January	14,582	11,563
Charge for the year recognised in profit or loss	3,409	3,166
Interest cost	925	1,040
Current service cost	3,905	3,486
Past service cost	(1,421)	(139)
Actuarial loss recognised	-	15
Effect of curtailments losses	-	(1,236)

Notes to the Financial Statements 31 December 2017

38. RETIREMENT BENEFITS (*continued*)

	Group 2017 RM'000	Group 2016 RM'000
Recognised in other comprehensive income:		
Actuarial losses/(gains) arising from changes in assumption in respect of:		
- current year	1,902	(917)
	1,902	(917)
Actual benefit payment	(2,514)	(479)
Exchange differences	(1,743)	1,249
At 31 December	15,636	14,582
The amounts recognised on the statements of financial position are determined as follows:		
Present value of obligations	15,636	14,582
Net liabilities	15,636	14,582

(a) The Group provides additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labour Law No. 13/2003 (the "Labour Law"). The said additional provisions, which are unfunded, are estimated using actuarial calculations. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

(b) The Group's obligation under the defined benefit plan is determined based on the latest actuarial valuations by an independent actuary in January and February 2018.

(c) Principal actuarial assumptions used at the end of the reporting period in respect of the Group's defined benefit plans are as follows:

	2017 %	2016 %
Discount rate	7.25	8.33
Expected return of salary increase	4.00	4.00

Notes to the Financial Statements 31 December 2017

38. RETIREMENT BENEFITS (*continued*)

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

		31 December 2017 Impact on defined benefits obligation Increase/(Decrease) RM'000	31 December 2016 Impact on defined benefits obligation Increase/(Decrease) RM'000
Discount rate	+ 1%	4,604	4,182
	- 1%	(3,488)	(3,286)
Future salary	+ 1%	5,057	4,667
	- 1%	(3,034)	(2,800)
Mortality	+ 10%	5,394	4,978
	- 10%	(4,945)	(4,149)
Disable or illness	+ 5%	5,169	4,771
	- 5%	(4,720)	(4,356)

39. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade payables				
Third parties	38,082	39,738	111	66
Other payables				
Amounts due to subsidiaries	-	-	198,563	212,728
Accruals	24,478	24,324	8,468	6,936
Advances received on contracts (Note 30)	202	188	-	-
Amounts due to contractors and suppliers	163	184	-	-
Due to customers on contract (Note 30)	-	473	-	-
Other deposits	811	412	810	361
Sundry payables	43,566	57,381	6,323	10,924
	69,220	82,962	214,164	230,949
	107,302	122,700	214,275	231,015

Notes to the Financial Statements 31 December 2017

39. TRADE AND OTHER PAYABLES (*continued*)

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Non-current				
Other payables				
Amounts due to subsidiaries	-	-	420,177	523,732
Total trade and other payables	107,302	122,700	634,452	754,747
Add: Loans and borrowings (Note 37)	1,442,524	1,530,209	739,586	792,832
Add: Hire purchase payables (Note 40)	157	41	-	-
Total financial liabilities carried at amortised cost	1,549,983	1,652,950	1,374,038	1,547,579

Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2016: 30 to 60 days).

(b) Amounts due to subsidiaries

Except for the amounts due to certain subsidiaries totalling RM597,593,000 (2016: RM654,869,000) that bear interest at rate of 2.75% to 7.50% (2016: 3.00% to 5.30%) per annum, the amounts due to other subsidiaries are non-interest bearing and are repayable on demand. All these amounts are unsecured and are to be settled in cash.

Sensitivity analysis for fixed rate interest bearing amounts due to subsidiaries as at the end of the reporting period was not presented as they are not affected by changes in interest rates.

(c) Financial guarantees

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Fair value of financial guarantees is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the party guaranteed were to default.

Notes to the Financial Statements 31 December 2017

39. TRADE AND OTHER PAYABLES (*continued*)

(c) Financial guarantees (*continued*)

The fair value of financial guarantees provided by the Company to the banks to secure banking credit facilities granted to subsidiaries with nominal amount of RM227,724,000 (2016: RM316,188,000) are negligible as the probability of the financial guarantees being called upon is remote due to the following factors:

(i) Most of the outstanding loans and borrowings are adequately secured by properties, plant and equipment of the subsidiaries which their market values upon realisation are higher than the outstanding loans and borrowing amounts; and

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

The maturity profile of the financial guarantees are deemed to be on demand.

(d) The maturity profile of the trade and other payables of the Group and of the Company at the end of reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2017				
Trade and other payables	107,302	-	-	107,302
As at 31 December 2016				
Trade and other payables	122,700	-	-	122,700
Company				
As at 31 December 2017				
Trade and other payables	214,275	420,177	-	634,452
As at 31 December 2016				
Trade and other payables	231,015	523,732	-	754,747

Notes to the Financial Statements 31 December 2017

40. HIRE PURCHASE PAYABLES

	Group 2017 RM'000	Group 2016 RM'000
Minimum lease payments:		
Not later than 1 year	35	41
Later than 1 year and not later than 5 years	140	-
	175	41
Less: Future finance charges	(18)	-
Present value of finance lease liabilities	157	41
Present value of lease payments liabilities:		
Not later than 1 year	29	41
Later than 1 year and not later than 5 years	128	-
	157	41
Less: Amount due within 12 months	(29)	(41)
Amount due after 12 months	128	-

(a) The effective interest rates of hire purchase payables is 2.35% (2016: 3.20% to 3.60%) per annum.

(b) The carrying amounts of hire purchase and finance lease liabilities of the Group as at the reporting date are reasonable approximation of fair values due to the insignificant impact of discounting.

(c) The maturity profile of hire purchase payables of the Group at the end of reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2017				
Hire purchase payables	35	140	-	175
As at 31 December 2016				
Hire purchase payables	41	-	-	41

40. HIRE PURCHASE PAYABLES (*continued*)

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statements of cash flows as cash flows from financing activities.

	1.1.2017 RM'000	Cash flows RM'000	Non-cash changes RM'000	31.12.17 RM'000
Group				
Hire purchase payables	41	(60)	176	157

41. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Capital expenditure:				
Property, plant and equipment:				
Approved and contracted for	4,686	11,485	-	-
Approved but not contracted for	11,692	6,366	-	-
	16,378	17,851	-	-

(b) Operating lease commitments - as lessee

Future minimum rentals payable under non-cancellable operating lease at the end of reporting period are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Not later than 1 year	480	375	106	-
Later than 1 year but not later than 5 years	834	692	212	-
Later than 5 years	815	938	-	-
	2,129	2,005	318	-

41. COMMITMENTS AND CONTINGENCIES (*continued*)

(c) Operating lease commitments - as lessor

Future minimum rentals receivable under non-cancellable operating lease at the end of reporting period are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Not later than 1 year	571	989	590	641
Later than 1 year but not later than 5 years	625	551	625	551
	1,196	1,540	1,215	1,192

42. CONTINGENT LIABILITIES

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Unsecured:				
Guarantee given to PT Bank CIMB Niaga, Tbk, to secure the loan for Pembangunan Kebun Kelapa Sawit Plasma under a Plasma Scheme	57,734	62,062	57,734	62,062

Fair value of the guarantees given is determined based on probability weighted discounted cash flow method as disclosed in Note 39 to the financial statements.

The fair value of financial guarantees provided by the Company to the banks to secure the loan for Pembangunan Kebun Kelapa Sawit Plasma under a Plasma Scheme are negligible as the probability of the guarantees being called upon is remote due to the following factors:

i) the plasma farmers are obliged to sell all their harvests to the subsidiary companies and a portion of the resulting proceeds must be used to repay the loans from the banks obtained by plasma farmers; and

ii) the bank loans obtained by plasma farmers are secured by the collateral in the form of titles of ownership of the plasma plantations.

The maturity profile of the financial guarantees are deemed to be on demand.

43. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

Notes to the Financial Statements 31 December 2017

43. RELATED PARTY DISCLOSURES (*continued*)

(a) Identities of related parties (continued)

The Group has related party relationship with its direct and indirect subsidiaries, associates, joint ventures, Directors and key management personnel.

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Note	2017 RM'000	2016 RM'000
Group			
Joint ventures:			
Sale of crude palm oil	(i)	(425,770)	(366,105)
Sale of palm kernel	(i)	(96,670)	(90,875)
Sale of burning materials	(i)	(759)	(921)
Transportation fees received	(i)	(36)	(76)
Sale of ramets to a subsidiary of an associate	(i)	(3,750)	(3,100)
Provision of agronomy service to a subsidiary of an associate	(i)	(214)	(373)
Purchase of fresh fruit bunches from a subsidiary of an associate	(ii)	1,035	219
Rental of premises paid to spouse of a Director	(iv)	14	14
Purchase of fresh fruit bunches from a company in which certain Directors of the Company and their family members have equity interests	(iv)	1,222	1,073
Purchase of fresh fruit bunches from spouse of a Director	(iv)	3,190	2,668
Company			
Transactions with subsidiaries:			
Sale of fresh fruit bunches	(i)	(9,292)	(10,016)
Purchase of ramets	(ii)	400	234
Purchase of shells and pressed empty bunches	(ii)	1	-
Interest income	(iii)	(51,712)	(71,463)
Interest expenses on advances	(iii)	37,611	26,450
Management fees received		(26,445)	(24,315)
Dividends income		(53,350)	(32,874)
Proceeds from disposal of property, plant and equipment		(231)	(1)
Maintenance of flooring		(240)	(240)
Rental income		(34)	(34)
Transactions with an associate:			
Rental income	(i)	(102)	(101)
Proceeds from disposal of property, plant and equipment		-	(43)
Dividends received		(4,203)	-
Transactions with joint ventures:			
Rental income	(i)	(26)	(26)
Dividends received		(10,000)	(13,000)

Notes to the Financial Statements 31 December 2017

43. RELATED PARTY DISCLOSURES (*continued*)

(a) Identities of related parties (*continued*)

(i) The sale of products, rental and rendering of services to subsidiaries, subsidiary of an associate, and joint ventures were made according to the published prices and conditions offered to the major customers of the Group and the Company.

(ii) The purchase of products from subsidiaries and subsidiary of an associate were made according to the published prices and conditions offered by these related parties to their major customers.

(iii) The interest income and expense arose from the amounts due from/to related parties. Further details are disclosed in Note 26 and Note 39 to the financial statements.

(iv) The Directors consider that the rental paid and purchase of fresh fruit bunches from a company in which certain Directors of the Company and their family members have equity interests and/or spouse of Director were made according to the published prices and conditions similar to those offered to the major customers of the suppliers.

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 is disclosed in Note 26 and Note 39 to the financial statements.

(b) Compensation of key management personnel

The remuneration of Directors, which also includes the members of key management during the year was as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefits	5,963	6,280	5,708	6,014
Post-employment benefits:				
Defined contribution plan	684	721	675	712
	6,647	7,001	6,383	6,726

44. ADOPTION OF FRSs AND AMENDMENTS TO FRSs

(a) New FRSs adopted during the financial year

The Group and Company adopted the following Standards of the FRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Amendments to FRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to FRS 107 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Annual Improvements to FRS Standards 2014 - 2016 Cycle*	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

Notes to the Financial Statements 31 December 2017

44. ADOPTION OF FRSs AND AMENDMENTS TO FRSs (*continued*)

(b) New FRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

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

Title	Effective Date
FRS 9 *Financial Instruments* (*IFRS as issued by IASB in July 2014*)	1 January 2018
Amendments to FRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 1 *Annual Improvements to FRS Standards 2014 - 2016 Cycle*	See FRS 1 Paragraphs 39AD and 39ADAA
Amendments to FRS 4 *Applying FRS 9 Financial Instruments with FRS 4* Insurance Contracts	See FRS 4 Paragraphs 46, 47AA and 48
Amendments to FRS 128 *Annual Improvements to FRS Standards 2014 - 2016 Cycle*	See FRS 128 Paragraphs 45E and 45EAA
Amendments to FRS 140 *Transfers of Investment Property*	See FRS 140 Paragraphs 85G and 85GAA
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	See IC Interpretation 22 Paragraphs A1 and A1AA
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	See IC Interpretation 23 Paragraphs B1 and B1AA
Amendments to FRS 10 and FRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The above Standards shall be superseded upon adoption of the MFRS Framework on 1 January 2018.

(c) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

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

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

Notes to the Financial Statements 31 December 2017

44. ADOPTION OF FRSs AND AMENDMENTS TO FRSs (*continued*)

(c) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (*continued*)

In adopting the new MFRS Framework, the Group would be required to apply the specific transition requirements in MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*. In addition to the adoption of the new MFRS Framework, the following new MFRSs and amendments to the MFRSs are effective for annual periods beginning on or after 1 January 2018:

Title	Effective Date
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments* (*IFRS as issued by IASB in July 2014*)	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS *112 Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS *123 Annual Improvements to MFRSStandards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

Notes to the Financial Statements 31 December 2017

45. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 14 April 2017, 11,390,066 new ordinary shares were issued and allotted to the Scheme Shareholders whose names appeared in the Record of Depositors of Ekowood International Berhad ("Ekowood") at an issue price of RM1.92 each. Following the satisfaction of the offer price, the privatisation of Ekowood is now completed and Ekowood is now a wholly-owned subsidiary of the Company.

The purpose of the privatisation of Ekowood was to enable the Company to undertake a review of Ekowood Group's business to improve its financial performance, which might result in Ekowood Group's operation being restructured and/or new capital being injected. The privatisation undertaken by the Company would facilitate such rationalisation plan of Ekowood Group. It also presented an opportunity for the Scheme Shareholders to unlock their investments in Ekowood at a substantial premium whilst continue to participate in the future growth of Ekowood through the Company.

Analysis of Shareholdings

As At 30 March 2018

Issued Share Capital	:	1,381,798,509 ordinary shares (net of treasury shares)
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

1. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	Shareholders	%	No. of shares held	%
1 - 99	311	4.92	11,121	Negligible
100 - 1,000	658	10.40	323,385	0.02
1,001 - 10,000	3,290	52.00	15,305,727	1.11
10,001 - 100,000	1,767	27.93	52,555,389	3.80
100,001 - 67,270,421 *	300	4.74	1,224,586,187	88.62
69,089,925 and above **	1	0.01	89,016,700	6.44
Total	6,327	100.00	1,381,798,509	100.00

* Less than 5% of issued holdings
** 5% and above of issued holdings

2. DIRECTORS' SHAREHOLDINGS

	No. of shares held			
Name	Direct	%	Indirect *	%
Datuk (Dr.) Kelvin Tan Aik Pen	168,701,517	12.21	-	-
Dato' Tan Aik Sim	53,280,664	3.86	-	-
Datuk Jaswant Singh Kler	6,250	**	-	-
Dato' Jasmy bin Ismail	-	-	-	-
Selina binti Yeop Junior @ Lope	-	-	-	-
Yap Boon Teck	-	-	-	-
Tan Aik Kiong	55,296,895	4.00	27,125	**
Chew Siew Yeng	-	-	210,000	0.02
Tan Aik Yong	53,829,817	3.90	-	-
Lim Fook Hin	1,602,000	0.12	4,500,000	0.33

* Deemed interested by virtue of Section 59(11)(c) of the Companies Act 2016.
** Negligible

3. SUBSTANTIAL SHAREHOLDERS

	Name	No. of shares held	%
1.	Datuk (Dr.) Kelvin Tan Aik Pen	168,701,517	12.21
2.	Employees Provident Fund Board	91,076,700	6.59
3.	Tunas Lestari Sdn. Bhd.	85,500,000	6.19
4.	Embun Yakin Sdn. Bhd.	75,703,359	5.48

Analysis of Shareholdings
As At 30 March 2018

4. THIRTY (30) LARGEST SHAREHOLDERS

	Name	No. of shares held	%
1.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	89,016,700	6.44
2.	Lembaga Tabung Haji	61,350,200	4.44
3.	Tan Aik Kiong	55,143,187	3.99
4.	Tan Aik Sim	53,280,664	3.86
5.	Kumpulan Wang Persaraan (Diperbadankan)	53,128,050	3.84
6.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Exempt An for Bank of Singapore Limited	47,921,981	3.47
7.	Maybank Nominees (Asing) Sdn. Bhd. Eccles Equity Asia Ltd	47,409,862	3.43
8.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Aik Pen	42,559,991	3.08
9.	Tan Aik Choon	41,029,958	2.97
10.	Tan Ek Huat	38,934,718	2.82
11.	Maybank Nominees (Asing) Sdn. Bhd. Walton Private Investment Limited	38,483,958	2.79
12.	Tan Ah Seng	36,654,089	2.65
13.	Tan Aik Hwa	35,941,139	2.60
14.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account – AmBank (M) Berhad for Tan Aik Pen	34,078,279	2.47
15.	Tan Aik Yong	33,207,342	2.40
16.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Embun Yakin Sdn. Bhd.	29,139,200	2.11
17.	Maybank Nominees (Asing) Sdn. Bhd. L&P Bakri Inc.	28,117,200	2.03
18.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Aik Pen	27,479,724	1.99
19.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kemudi Seraya Sdn. Bhd.	26,860,800	1.94
20.	UOBM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tunas Lestari Sdn. Bhd.	25,500,000	1.85
21.	UOBM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Embun Yakin Sdn. Bhd.	23,000,000	1.66
22.	Tan Soon Hong	22,914,835	1.66

Analysis of Shareholdings

As At 30 March 2018

4. THIRTY (30) LARGEST SHAREHOLDERS (*continued*)

	Name	No. of shares held	%
23.	Embun Yakin Sdn. Bhd.	22,739,159	1.65
24.	Tunas Lestari Sdn. Bhd.	21,000,000	1.52
25.	HSBC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Aik Pen	18,000,000	1.30
26.	UOBM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tunas Lestari Sdn. Bhd.	18,000,000	1.30
27.	Ong Yah Ho	16,710,290	1.21
28.	Amanahraya Trustees Berhad Public Smallcap Fund	16,208,250	1.17
29.	Tan Aik Pen	15,327,129	1.11
30.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tunas Lestari Sdn. Bhd.	13,000,000	0.94

List of Top 10 Properties Held by TSH Group

As At 31 December 2017

Location	Description	Area	Existing use	Tenure	Approximate age of building (years)	Net book value as at 31.12.17 RM	Date of Acquisition/ (Date of last revaluation)
Desa Penawai, Bekokong Makmur, Kecamatan Bongan, Jempang & Desa Jambuk, Muara Gusik, Penawai, Tanjung Sari, Kecamatan Bongan & Desa Jambuk Makmur, Kecamatan Bongan, Desa Resak, Kecamatan Bongan, Desa Muara Siram, Siram Jaya, Resak Kampung, Kecamatan Bongan, Kabupaten Kutai Barat, Provinsi Kalimantan Timur (PT Farinda Bersaudara)	Plantation land	12,093 ha	Oil palm plantation & mill	35 years lease expiring on 18.02.2045 for land under Desa Penawai, Bekokong Makmur & 35 years lease expiring on 24.02.2045 for land under Desa Resak, Desa Jambuk, Muara Gusik, Penawai, Tanjung Sari, Desa Jambuk Makmur, Desa Muara Siram, Siram Jaya dan Resak Kampung	Not applicable	286,116,783	26.12.2008
		535 ha		Pending HGU		3,848,391	
		12,628 ha				289,965,174	
Desa Tanah Kuning & Desa Mangkupadi, Kecamatan Tanjung Palas Timur, Kabupaten Bulungan, Provinsi Kalimantan Timur (PT Bulungan Citra Agro Persada)	Plantation land	13,215 ha	Oil palm plantation	35 years lease expiring on 03.10.2046	Not applicable	272,144,952	16.08.2011
Desa Muara Siram, Kecamatan Bongan, Kabupaten Kutai Barat, Propinsi Kalimantan Timur (PT Teguh Swakarsa Sejahtera)	Plantation land	10,282 ha	Oil palm plantation	35 years lease expiring on 13.07.2040	Not applicable	156,862,810	01.04.2006
Title No. CL 095327218 District of Kinabatangan Tenegang Koyah Locality Off KM 46.5, Jalan Lahad Datu, Sandakan, Sabah	Plantation land	4,942 acres	Oil palm plantation & mill	98 years leasehold expiring on 31.12.2096	18	130,880,661	(10.09.2015)

List of Top 10 Properties Held by TSH Group

As At 31 December 2017

Location	Description	Area	Existing use	Tenure	Approximate age of building (years)	Net book value as at 31.12.17 RM	Date of Acquisition/ (Date of last revaluation)
Kecamatan Katingan Tengah, Desa Samba Katung, Desa Samba Bakumpai, Desa Telok, Desa Petak Puti, Desa Tewang Panjang, Desa Tumbang Lahang dan Kecamatan Pulau Malan, Desa Tura, Desa Tumbang Tanjung, Kabupaten Katingan, Propinsi Kalimantan Tengah (PT Mitra Jaya Cemerlang)	Plantation land	15,000 ha	Oil palm plantation	Pending HGU	Not applicable	128,481,657	29.10.2009
Nagari Tebing Tinggi, Kecamatan Pulau Punjung Nagari Sitiung, Kecamatan Sitiung, Nagari Sialang Gaung, Kecamatan Kota Baru, Kabupaten Dharmasraya, Propinsi Sumatera Barat (PT Andalas Wahana Berjaya)	Plantation land	4,307 ha	Oil palm plantation	Pending HGU	Not applicable	124,788,027	29.12.2005
Desa Pelantaran, Pundu & Bajarau, Kecamatan Cempaga Hulu & Parenggean, Kabupaten Kotawaringin Timur, Propinsi Kalimantan Tengah (PT Sarana Prima Multi Niaga)	Plantation land	7,114 ha	Oil palm plantation & mill	35 years lease expiring on 15.05.2041	Not applicable	103,006,027	12.04.2007

List of Top 10 Properties Held by TSH Group

As At 31 December 2017

Location	Description	Area	Existing use	Tenure	Approximate age of building (years)	Net book value as at 31.12.17 RM	Date of Acquisition/ (Date of last revaluation)
Desa Langgam, Kabupaten Pasaman, Kabupaten Pasaman & Kinali, Kecamatan Kinali, Kabupaten Pasanan Barat, Propinsi Sumatera Barat (PT Laras Internusa)	Plantation land	7,309 ha	Oil palm plantation	34 years lease expiring on 31.12.2029 for land under Desa Langgam & 35 years lease expiring on 16.02.2044 for land under Nagari Kinali	Not applicable	89,946,204	01.05.2006
Desa Kenyanyan, Rikong, Kiyaq, Muara Ponak, Kecamatan Siluq, Ngurai, Kabupaten Kutai Barat, Kalimantan Timur (PT Munte Waniq Jaya Perkasa)	Plantation land	7,170 ha 846 ha 8,016 ha	Oil palm plantation	35 years lease expiring on 22.10.2048	Not applicable	81,127,444 3,061,474 84,188,918	18.10.2011
Title No. CL095310731, District of Kinabatangan, State of Sabah	Plantation land	2,489 acres	Oil palm plantation	Leasehold land from 01.01.1979 to 31.12.2077	Not applicable	80,015,317	(10.09.2015)

Proxy Form

TSH RESOURCES BERHAD (49548-D)
(Incorporated in Malaysia)

CDS Account No.	

I/We .... *NRIC/Company No. ....
(FULL NAME IN CAPITAL LETTERS)

of ....
(FULL ADDRESS)

being *a member/members of TSH RESOURCES BERHAD hereby appoint ....
(FULL NAME IN CAPITAL LETTERS)

.... *NRIC No./Passport No. ....

of ....
(FULL ADDRESS)

or failing *him/her .... *NRIC No./Passport No. ....
(FULL NAME IN CAPITAL LETTERS)

of ....
(FULL ADDRESS)

or failing *him/her, THE CHAIRMAN OF THE MEETING

as *my/our proxy to attend, speak and vote for *me/us on *my/our behalf at the Thirty-Eighth Annual General Meeting of the Company to be held at Ballroom 2, LG Level, Eastin Hotel, 13, Section 16/11, Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan on 24 May 2018 at 10.00 am and any adjournment thereof and to vote as indicated below:-

		*FOR	*AGAINST
Resolution 1	To declare a first and final single tier dividend of 2.0 sen per ordinary share.		
Resolution 2	To approve payment of Directors' fees and benefits of RM2,168,475 for the financial year ended 31 December 2017.		
Resolution 3	To approve payment of Directors' benefits (excluding Directors' fees) of up to an aggregate amount of RM1,610,000 from 1 January 2018 until the next AGM of the Company in 2019.		
Resolution 4	To re-elect Selina binti Yeop Junior @ Lope, who is retiring in accordance with Article 95 of the Company's Articles of Association.		
Resolution 5	To re-elect Tan Aik Kiong, who is retiring in accordance with Article 95 of the Company's Articles of Association.		
Resolution 6	To re-elect Lim Fook Hin, who is retiring in accordance with Article 95 of the Company's Articles of Association.		
Resolution 7	To re-appoint Messrs BDO as the Company's Auditors and to authorise Directors to fix their remuneration.		
Resolution 8	Proposed Authority to Issue Shares.		
Resolution 9	Proposed Renewal of the Authority for Share Buy-Back.		
Resolution 10	Proposed Renewal of the Existing Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature.		
Resolution 11	Proposed Adoption of a new Company's Constitution		

* Please indicate with an "X" in the space provided for each resolution. Unless voting instructions are indicated in the space above, the proxy will vote or abstain as he/she thinks fit and if no name is inserted in the space for the name of proxy, the Chairman of the meeting will act as proxy.

Signed this .... day of 2018

No. of shares held

Percentage of shareholdings to be represented by the proxies:		
	No. of shares	**Percentage**
Proxy 1		
Proxy 2		
Total		**100%**

....
Signature/Common Seal of Appointor

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 17 May 2018 be regarded as members and entitled to attend, speak and vote at the meeting.
2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the depositor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal and shall be deposited at the Registered Office of the Company at Level 10, Menara TSH, No. 8 Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur, not less than 48 hours before the time appointed for holding this meeting or adjourned meeting.
4. Where a member appoints two (2) or more proxies to attend the same meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy. If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit and if no names are inserted in the space for the name of proxy, the Chairman of the meeting will act as proxy.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. Pursuant to Paragraph 8.29A of Bursa Securities Main Market Listing Requirements, all resolutions set out in the Notice of Thirty-Eighth AGM will be put to vote on a poll.

Explanatory Notes:

1. The audited financial statements are meant for discussion only as it does not require shareholders' approval under the provision of Section 340(1)(a) of the Companies Act 2016. Hence, it will not be put for voting.
2. With reference to Section 131 of the Companies Act 2016, a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent.

   On 27 February 2018, the Board had considered the amount of dividend and decided to recommend the same for the shareholders' approval. The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made on 20 June 2018 in accordance with the requirements under Section 132(2) and (3) of the Companies Act 2016.
3. Resolution 2, the Company is seeking shareholders' approval for payment of Directors' fees totalling RM228,000 and benefits to the Directors totalling RM1,940,475.

   Details of the above are set out in Note 14 to the financial statements. The remuneration of each Director is set out in the Corporate Governance Report.
4. Resolution 3, the benefits payable to eligible Non-Executive Directors comprise monthly allowance to the Chairman of the Company in recognition of his significant oversight and leadership roles in the Group, Board committee allowance, business travelling allowance, petrol allowance and other benefits-in-kind including company car and driver as well as other emoluments.

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AFFIX STAMP
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The Company Secretary

TSH RESOURCES BERHAD (49548-D)
Level 10, Menara TSH
No. 8 Jalan Semantan
Damansara Heights
50490 Kuala Lumpur, Malaysia

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5. Resolution 8 is a renewal of the general mandate empowering the Directors of the Company pursuant to Sections 75 & 76 of the Companies Act 2016, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the general mandate does not exceed ten percent (10%) of the issued share capital of the Company for the time being. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

   The renewal of the general mandate will provide flexibility to the Company for any possible fund raising activities without the need to convene a separate general meeting to specifically approve such issuance of shares and thereby reducing administrative time and costs associated with the convening of such meeting. However, at this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

   As at the date of this notice, 25,000,000 ordinary shares were issued via private placement pursuant to Sections 75 & 76 of the Companies Act 2016 under the general mandate which was approved at the last AGM held on 25 May 2017 and which will lapse at the conclusion of the Thirty-Eighth AGM to be held on 24 May 2018. The proceeds raised totaling of RM41,250,000 have been fully utilised in the following manner:-

Utilisation of Proceeds	RM'000
1) Working Capital	41,213
2) Expenses for private placement exercise	37
TOTAL	41,250

6. For Resolutions 9 and 10, further information on the Proposed Renewal of the Authority for Share Buy-Back and Proposed Renewal of the Existing Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature are set out in the Circular dated 25 April 2018 which is sent out together with the Company's 2017 Abridged Annual Report.
7. For Resolution 11, the proposed Special Resolution if passed, will bring the Company's Constitution in line with the enforcement of the Companies Act 2016, Bursa Securities Main Market Listing Requirements and to enhance administrative efficiency. The proposed new Constitution is set out in Part C of the Circular dated 25 April 2018.
8. Datuk Jaswant Singh Kler who retires in accordance with Article 95 of the Company's Articles of Association has expressed his intention not to seek re-election as Director of the Company. Hence, he will retain office until the conclusion of the AGM.

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