NPC Resources Berhad
(Company No: 502313-P)

ANNUAL REPORT 2018

Contents

NPC Resources Berhad

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at the Conference Room 3, 6th Floor, The Palace Hotel, No. 1, Jalan Tangki, Karamunsing, 88100 Kota Kinabalu, Sabah, on Tuesday, 28 May 2019 at 10.00 am to transact the following business:

AGENDA

ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon.	Please refer to Explanatory Notes (a)
2.	To re-elect the following Directors retiring in accordance with Article 93 of the Company's Constitution:	
	a) Dato' Loo Pang Kee	Resolution 1
	b) Mr. Lim Ted Hing	Resolution 2
	c) Dr. Edmond Fernandez	Resolution 3
3.	To approve the payment of Directors' fees of RM80,000 for the financial year ended 31 December 2018.	Resolution 4
4.	To approve the payment of allowances of up to but not exceeding RM500,000 to Non-Executive Directors with effect from 29 May 2019 until the next Annual General Meeting of the Company.	Resolution 5
5.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	Resolution 6
6.	To consider and if thought fit, to pass the following resolutions:	

ORDINARY RESOLUTIONS

Proposed Retention of Independent Non-Executive Directors

(a)	"That subject to the passing of Resolution 2, Mr. Lim Ted Hing who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."	Resolution 7
(b)	"That subject to the passing of Resolution 3, Dr. Edmond Fernandez who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting"	Resolution 8
(c)	"That Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."	Resolution 9

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING (cont'd)

7. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION

Authority to issue shares pursuant to Section 76 of the Companies Act 2016 Resolution 10

"THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from the relevant statutory and regulatory authorities, where such approvals are necessary, full authority be and is hereby given to the Directors pursuant to Section 76 of the Companies Act 2016, to issue shares in the Company from time to time at such price upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares in the Ordinary Share Capital of the Company for the time being and that the Directors be and are empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional new ordinary shares to be issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

8. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION

Proposed Renewal Of The Existing Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature Resolution 11

"THAT, approval be and is hereby given, for the Renewal of the Existing Shareholders' Mandate for the Company and/or its Subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4.2 of Part A of the Circular to Shareholders dated 29 April 2019 with the related parties described therein provided such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, 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;

AND THAT, such approval shall continue to be in force until:

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

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

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

whichever is the earlier.

AND FURTHER THAT the directors be and are hereby authorised to complete and do such acts and things as may be required by the relevant authorities (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING (cont'd)

9. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION

Proposed Renewal Of Authority For The Company To Purchase Its Own Shares Of Up To Ten Percent (10%) Of Its Total Number Of Issued Shares In The Ordinary Share Capital Of The Company — Resolution 12

"THAT subject to the provisions of the Companies Act 2016 ("the Act"), the Constitution of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), all other applicable laws, rules, regulations, and orders and the approvals of all relevant regulatory authorities, the Company is hereby authorised to purchase and/or hold such amount of ordinary shares ("Shares") in the Company as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be purchased and/or held pursuant to this resolution shall not exceed ten percent (10%) of the total number of issued shares in the Ordinary Share Capital of the Company and that an amount of the funds not exceeding the retained profits of the Company, be utilised for Share buy-back;

AND THAT such Shares purchased may be retained as treasury shares and/or distributed as dividends and/or resold on the market of Bursa Securities and/or be cancelled, as the Directors may deem fit and expedient in the interest of the Company;

AND THAT such authority hereby given shall take effect immediately and shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company at which time it shall lapse unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by a resolution passed by the Shareholders in a general meeting,

whichever is the earlier.

AND FURTHER THAT the Directors be hereby authorised to do all such acts and things as may be required by the relevant authorities (including executing any relevant documents) as they may consider expedient or necessary to complete and give effect to the aforesaid authorisation."

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING (cont'd)

10. To consider and if thought fit, to pass the following resolution:

SPECIAL RESOLUTION

Proposed Adoption of A New Constitution of the Company Resolution 13

"THAT approval be and is hereby given for the Company to revoke the existing Constitution of the Company comprising the Memorandum and Articles of Association of the Company AND THAT a proposed new Constitution as set out in Appendix II of the Circular to Shareholders dated 29 April 2019 be hereby adopted as the new Constitution of the Company.

AND THAT the Directors be and are hereby authorised to assent to any modification, variation and/or amendments as may be required by any relevant authorities and to do all acts necessary to give effect to the proposed new Constitution."

11. To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

GENERAL MEETING RECORD OF DEPOSITORS

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose determining a member who shall be entitled to attend this Nineteenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 68(b) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 21 May 2019. Only a depositor whose name appears on the Record of Depositors as at 21 May 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his behalf.

By Order of the Board
NPC Resources Berhad

Dorothy Luk Wei Kam (MAICSA 7000414)
Tan Vun Su (MIA 8095)
Company Secretaries

Kota Kinabalu, Sabah
Dated: 29 April 2019

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING (cont'd)

Notes:

a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.

b) A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same Meeting, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

c) 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 nominees may appoint in respect of each omnibus account it holds.

d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, either under its Common Seal or the hands of its officers or attorney duly authorised.

e) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah, not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

Explanatory Notes

(a) Audited Financial Statements for Financial Year Ended 31 December 2018

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

(b) Re-appointment of Directors

In relation to the proposed Resolution 7, 8 and 9, the Nomination Committee has assessed the independence of Dr. Edmond Fernandez, Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood and Mr. Lim Ted Hing who had served as Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) years, and recommended that they continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

(i) they have fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

(ii) they have ensured check and balance in the proceedings of the Board and the Board Committees;

(iii) they have actively participated in Board deliberations, provided objectivity in decision making and an independent voice to the Board;

(iv) they have devoted sufficient time and attention to their responsibilities as Independent Non-Executive Directors of the Company; and

(v) they have exercised due care in the interest of the Company and shareholders during their tenure as Independent Non-Executive Directors of the Company.

In accordance with Practice 4.2 of the Malaysian Code on Corporate Governance, the retention of an independent director who has served the Company for a cumulative term of more than 12 years as an independent director is subject to shareholders' approval via a two-tier voting process.

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING (cont'd)

Explanatory Notes (cont'd)

(c) Proposed Authority To Directors To Issue New Shares Under Section 76 Of The Companies Act 2016

The proposed Resolution 10, if passed, shall give power to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the total number of issued shares in the Ordinary Share Capital of the Company for the time being. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders on 28 May 2018. The Company did not utilise the mandate that was approved last year. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

(d) Proposed Renewal of the Existing Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

The proposed Resolution 11, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties provided that such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, on commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders. Shareholders are directed to refer to Part A of the Circular to Shareholders dated 29 April 2019 for more information.

(e) Proposed Renewal Of Authority For The Company To Purchase Its Own Shares Of Up To Ten Percent (10%) Of Its Total Number Of Issued Shares In The Ordinary Share Capital Of The Company

The proposed Resolution 12, if passed, shall empower the Directors of the Company to buy back and/or to hold the shares of the Company not exceeding ten percent (10%) of the total number of issued shares in the Ordinary Share Capital of the Company from time to time being quoted on Bursa Malaysia Securities Berhad as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company. Shareholders are directed to refer to Part B of the Circular to Shareholders dated 29 April 2019 for more information.

(f) Proposed Adoption of A New Constitution of the Company

The proposed Resolution 13, if passed, will streamline the existing Constitution comprising the Memorandum and Articles of Association of the Company with the Companies Act 2016, which came into force on 31 January 2017, and to align to amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, as well as for better clarity and to enhance administrative efficiency. Shareholders are directed to refer to Part C of the Circular to Shareholders dated 29 April 2019 for more information.

NPC Resources Berhad

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Loo Ngin Kong
(Executive Chairman)
Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood
(Independent Non-Executive Deputy Chairman)
Dato' Loo Pang Kee
(Executive Director/Group Managing Director)
Wong Siew Ying
(Executive Director)
Lim Ted Hing
(Independent Non-Executive Director)
Dr. Edmond Fernandez
(Independent Non-Executive Director)
Tan Sri Dato' Sri Koh Kin Lip, *JP*
(Non-Independent Non-Executive Director)
Tan Vun Su
(Executive Director)

AUDIT COMMITTEE

Lim Ted Hing *(Chairman)*
Dr. Edmond Fernandez *(Member)*
Tan Sri Dato' Sri Koh Kin Lip, *JP* *(Member)*

COMPANY SECRETARIES

Dorothy Luk Wei Kam *(MAICSA 7000414)*
Tan Vun Su *(MIA 8095)*

REGISTERED OFFICE

Lot 9, T3
Taman Tshun Ngen
Mile 5, Jalan Labuk
90000 Sandakan, Sabah
Tel : 089-274488
Fax : 089-226711

SHARE REGISTRAR

BoardRoom Share Registrars Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301, Petaling Jaya, Selangor
Tel : 03-78418000
Fax : 03-78418008

INDEPENDENT AUDITOR

Ernst & Young
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur

PRINCIPAL BANKERS

AmBank (M) Berhad
AmBank Islamic Berhad
Maybank Islamic Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
RHB Islamic Bank Berhad

SOLICITOR

M.F. Poon, Hiew & Associates
Advocates & Solicitors
Mezzanine Floor, Lot 1 & 2,
Block B, Taman Grandview,
Jalan Buli Sim-Sim.
90000 Sandakan, Sabah

STOCK EXCHANGE LISTING

Main Board of the
Bursa Malaysia Securities Berhad

DIRECTORS' PROFILE

Datuk Loo Ngin Kong, a Malaysian citizen, male, aged 82, was appointed as Executive Chairman of NPC on 31 January 2002. He has over 40 years' experience in the fields of oil palm plantation and palm oil milling. He started his business venture in the plantation industry in the 1960s and 1970s when he was involved in oil palm cultivation and contracting works for Federal Land Development Authority ("FELDA") in Pahang Darul Makmur and Low Nam Hui Sdn. Bhd. and its subsidiaries and Johor Tenggara Development Authority in Johor Darul Takzim. He expanded his business to Sabah in 1981 when he acquired Growth Enterprise Sdn. Bhd., now a subsidiary of the Company. He also sits on the Board of various private limited companies. He is the father of Dato' Loo Pang Kee, a director and a substantial shareholder of the Company and the husband of Wong Siew Ying, a director and a deemed substantial shareholder of the Company. Save as disclosed in note 32 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2018. He attended three (3) out of five (5) board meetings held during the financial year from 1 January 2018 to 31 December 2018.

Dato' Seri Tengku Dr. Zainal Adlin bin Tengku Mahamood, a Malaysian citizen, male, aged 78, was appointed as Non-Executive Deputy Chairman of NPC on 31 January 2002. He was redesignated as Independent Non-Executive Deputy Chairman on 12 July 2004. He obtained his Advanced Course in Local Government Administration Certificate from the University of Birmingham, United Kingdom and Institute of Local Government Studies, Sigtuna, Sweden in 1967. In 1981, he obtained the Top Management Programme Certificate from the Asian Institute of Management, and in 1995 was conferred Doctor of Philosophy (Hon.) from University Kebangsaan Malaysia. He began his career as a professionally trained pilot in the late fifties and early sixties. He subsequently served in the Kelantan Civil Service and the Malaysian Home and Diplomatic Service and had served in the capacity of Assistant District Officer, acting District Officer and Assistant State Secretary of Kelantan from 1961 to 1967 and was seconded from the Home and Diplomatic Service to the Sabah State Government for five (5) years from 1968 to 1973 in the capacity of Chief Executive Officer of the newly formed Sabah State Housing Commission. From 1974 to prior to retirement from Government service in 1996, he served the Yayasan Sabah in various capacities including Group Projects Development Manager, Deputy Director, Group Deputy Managing Director and Corporate Advisor. He was appointed as the Chairman of the Sabah Tourism Board by the Sabah State Government from May 2000 to May 2013. He is then appointed as the Chairman of The Sabah Parks Board of Trustees since 1 June 2013 until 2018. He is the Past Chairman of the World Wide Fund for Nature (WWF) Malaysia. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2018. He attended four (4) out of five (5) board meetings held during the financial year from 1 January 2018 to 31 December 2018.

Dato' Loo Pang Kee, a Malaysian citizen, male, aged 50, is the co-founder of NPC Resources Berhad. He has served as the Group Managing Director cum CEO since 31st January 2002. Dato' Loo has over 30 years of extensive background in the oil palm plantation and related industries. He plays a key role in spearheading the expansion and new-business growth of the entire organisation. He is an alumnus of Harvard Business School. He is the son of Datuk Loo Ngin Kong, a director and a substantial shareholder of the Company. Save as disclosed in Note 32 to the Financial Statements, he has no conflict of interest with the Company. He has never convicted for any offence in the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2018. He attended all the five (5) board meetings held during the financial year from 1 January 2018 to 31 December 2018.

DIRECTORS' PROFILE (cont'd)

Wong Siew Ying, a Malaysian citizen, female, aged 65, was appointed as Executive Director of NPC on 31 January 2002. She has played an instrumental role in the management of the NPC group of companies over the last 30 years and her areas of responsibility include managing the Group's financial affairs, project funding requirements and credit management. She is the wife of Datuk Loo Ngin Kong, a director and a substantial shareholder of the Company. Save as disclosed in note 32 to the Financial Statements, she has no other conflict of interest with the Company. She has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2018. She attended three (3) out of five (5) board meetings held during the financial year from 1 January 2018 to 31 December 2018.

Lim Ted Hing, a Malaysian citizen, male, aged 64, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee and Nomination Committee. He is a member of the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"). He obtained his Fundamentals of Accounting from the North East London Polytechnic in 1977. Upon completion, he joined Malvern & Co., a firm of chartered accountants based in London, as an Articled Clerk during which he completed the ICAEW professional examinations in 1983. He joined Ernst & Young in 1985 and was the Senior Manager of its office in Sandakan prior to joining Syarikat Tekala Sdn. Bhd. in 1994 as the Group Financial Controller. Later in June 1996, he was appointed as an Executive Director/Chief Operating Officer of Tekala Corporation Berhad ("Tekala"), a company listed on the Main Market of Bursa Malaysia, and its subsidiaries. In January 2013, he was appointed as the Group Managing Director/Chief Executive Officer of Tekala. In July 2017, WMG Holdings Bhd. ("WMG") reverse took over Tekala and assumed its listing status. He is an Executive Director of WMG Group and has been appointed as Exco Chairman in September 2017. Other than his business interest in WMG Group, he also sits on the board of several other private limited companies. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2018. He attended all the five (5) board meetings held during the financial year from 1 January 2018 to 31 December 2018.

Dr. Edmond Fernandez, a Malaysian citizen, male, aged 64, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee and Nomination Committee. He graduated in 1981 from the University of Mysore, India. He started his medical practice in 1982 as a Medical Officer in Queen Elizabeth Hospital, Kota Kinabalu, Sabah and later in 1984, he was posted to Sandakan Health Department, Sabah as the Area Medical Officer. From 1988 onwards, he practised as a Private Medical Practitioner with Klinik Elopura ("KESB") and he was appointed as the Director of KESB in 1995. In 2001, he obtained his Licientiate of the Faculty of Occupational Medicine from Ireland and he was also appointed as a committee member of the Sandakan Water Watch Committee. He is the founding President of the Sandakan Toastmasters Club and is the past chairman of the Plantation Health Committee of the Malaysian Medical Association ("MMA"). Currently, he is a committee member and MMA representative to the Estate Hospital Assistants Registration Board. He has no family relationship with any other directors or major shareholders of the Company. Save as disclosed in note 32 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2018. He attended all the five (5) board meetings held during the financial year from 1 January 2018 to 31 December 2018.

DIRECTORS' PROFILE (cont'd)

Tan Sri Dato' Sri Koh Kin Lip, JP, a Malaysian citizen, male, aged 70, was appointed as the Non-Independent Non-Executive Director of NPC on 12 July 2007. He graduated from Plymouth Polytechnic (now known as Plymouth University), UK with a Higher National Diploma in Business Studies and a Council's Diploma in Management Studies. He began his career in Standard Chartered Bank, Sandakan as a trainee assistant. In 1978, he joined his family business and was principally involved in administrative and financial matters. In 1985, he assumed the role as Chief Executive Officer of the family business. In 1987 he was pivotal and instrumental in the formation of Rickoh Holdings Sdn. Bhd., the flagship company of the family businesses. Rickoh Holdings Sdn Bhd and group of companies had since continued to grow via diversifying their business activities which comprise, among others, properties investments/holdings, property development, securities investments, oil palm plantations, sea and land transportation for crude palm oil and palm kernel, information technology, hotel business, car park operator, insurance agency, trading in golf equipment and accessories, river sand mining, bricks manufacturing and quarry operations. Currently, he is a Senior Independent Non-Executive Director of Cocoaland Holdings Berhad and IOI Properties Group Berhad which are companies listed on the Main Market of Bursa Malaysia. He has no family relationship with any other directors or major shareholders of the Company. Save as disclosed in note 32 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2018. He attended four (4) out of five (5) board meetings held during the financial year from 1 January 2018 to 31 December 2018.

Tan Vun Su, a Malaysian citizen, male, aged 52, was appointed as Executive Director of NPC on 7 November 2008. He joined the NPC Group in October 1998 as Group Accountant. After completing his G.C.E. 'A' Level at Raffles Junior College, Singapore in 1986, he returned to Malaysia and joined KPMG, Sandakan Office as an audit trainee in 1987. He obtained his professional qualification in Accountancy with the Malaysian Association of Certified Public Accountants ("MACPA") in June 1992. He is also a member of the Malaysian Institute of Accountants. In 1987, he started his career with KPMG as an audit trainee by signing a four (4) year articleship with the firm to undertake the professional examinations of MACPA. He has about seven (7) years of audit working experience serving a wide variety of clients and was seconded to KPMG, Kuala Lumpur Office from 1990 to 1991 to gain more audit exposure. In 1994, he joined Coopers and Lybrand, Kota Kinabalu as an Assistant Audit Manager before joining Sabah Shipyard Sdn. Bhd., Labuan as Accountant in 1995. In 1997, he joined TimberMaster Timber Complex (Sabah) Sdn. Bhd. as Accountant where he was in charge of the finance and account department prior to joining the NPC Group of companies. He is currently overseeing the finance and accounting functions of the NPC Group. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2018. He attended all the five (5) board meetings held during the financial year from 1 January 2018 to 31 December 2018.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of the Group and the Company for the financial year ended 31 December 2018.

BUSINESS DEVELOPMENTS

In Sabah, the Group currently operates approximately 11,669 hectares of plantation land and one palm oil processing mill which has a production capacity of 75 tonnes of FFB per hour, of which 7,660 hectares are located in the Sandakan region and 4,009 hectares in the Banggi Island of Sabah. The palm oil processing mill owned by the Group is located at Kilometre 70, Sandakan-Telupid-Kota Kinabalu Highway in the district of Labuk-Sugut ("Berkat mill").

Todate, the Group has a total plantation land area of 45,064 hectares in Kalimantan Timur, Indonesia, 42,656 hectares of which have been issued with certificates of Hak Guna Usaha by the Indonesian authority ("HGU certificates"). For the financial year 2018, the Group's total planted hectarage in Indonesia was 18,418 hectares, of which 3,041 hectares were allotted to Plasma Schemes. The Group also operates one palm oil processing mill which has a production capacity of 60 tonnes of FFB per hour and is located at Desa Senambah, Kecamatan Muara Bengkal, Kebupaten Kutai Timur, Kaltim ("Nala mill").

INDUSTRY DEVELOPMENTS

The Malaysian oil palm industry faced a challenging performance in 2018, as compared to the achievement in 2017. Crude palm oil (CPO) production, exports of palm oil, CPO prices and total palm oil export earnings declined, while that of imports and closing palm oil stocks showed a significant increase. Meanwhile, yield of fresh fruit bunches (FFB) witnessed a significant decrease due to biological effect after experiencing high yield in 2017, coupled with the unpredictable rainy season, which affected harvesting.

Oil palm planted area in 2018 reached 5.85 million hectares, an increase of 0.7% as against 5.81 million hectares the previous year. Sarawak remained as the largest oil palm planted state for the second year, with 1.57 million hectares or 26.9% of the total Malaysian oil palm planted area, followed by Sabah with 1.55 million hectares or 26.5% and Peninsular Malaysia with 2.73 million hectares or 46.6%.

In 2018, CPO production declined by 2.0%, to 19.52 million tonnes as against 19.92 million tonnes recorded in 2017. The decrease was due to lower FFB processed, down by 3.2% arising from lower FFB yield, which decreased by 4.1%. CPO production in Peninsular Malaysia and Sabah declined by 3.6% and 1.5% to 10.20 million tonnes and 5.14 million tonnes, respectively. However, CPO production in Sarawak recorded an increase of 1.2% to 4.18 million tonnes.

The FFB yield declined by 4.1% to 17.16 tonnes per hectare in 2018 as against 17.89 tonnes per hectare in 2017. FFB yield for Peninsular Malaysia decreased by 6.7% to 17.44 tonnes per hectare as against 18.70 tonnes per hectare in 2017. FFB yield in Sabah registered a decrease of 1.0% to 18.16 tonnes per hectare as against 18.35 tonnes per hectare, while that of Sarawak was equally lower at 15.74 tonnes per hectare, down by 2.4% compared to 16.13 tonnes per hectare in 2017.

Total Malaysian exports of oil palm products in 2018 amounted to 24.88 million tonnes, higher by 3.8% from 23.97 million tonnes exported in 2017. Total export revenue, however, declined sharply by 13.3% to RM67.49 billion as compared to the RM77.81 billion in 2017 due to lower prices in world trade. In 2018, palm oil export earnings alone declined by 16.2% to RM38.63 billion as against RM46.09 billion in 2017. Palm oil export volume decreased marginally by 0.4% to 16.49 million tonnes compared to the previous year due to lower demand, particularly from Vietnam, Egypt and the European Union (EU).

CHAIRMAN'S STATEMENT (cont'd)

INDUSTRY DEVELOPMENTS (cont'd)

Palm oil stocks in December 2018 closed higher at 3.22 million tonnes, increased by 17.7% from 2.73 million tonnes recorded in December 2017. Higher closing stocks in 2018 was mainly due to higher opening stocks and lower palm oil exports.

In 2018, the prices of all oil palm products were traded lower. CPO price traded lower by 19.8%, averaging RM550.50/tonne to RM2,232.50/tonne compared to RM2,783.00/tonne in 2017. The highest traded price for 2018 was in February at RM2,488.00/tonne, while the lowest was in December at RM1,794.50/tonne. The lower CPO price during the year was mainly due to the higher palm oil stocks arising from lower palm oil export demand coupled with weaker prices of other vegetable oil in the world market.

Prices of processed palm oil products in the global market were also traded lower in 2018. RBD palm oil price traded lower by RM582.50 or 20.2% to RM2,297.50/tonne, RBD palm olein price was lower by RM625.00 or 21.2% to RM2,328.50/tonne, RBD palm stearin price was lower by RM567.50 or 20.3% to RM2,232.00/tonne and PFAD price was lower by RM811.00 or 29.7% to RM1,922.00/tonne.

The average price of palm kernel (PK) in 2018 declined by RM708.50/tonne or down 27.9% to RM1,827.50/tonne compared to RM2,536.00/tonne in 2017. The lower PK price was mainly due to lower domestic price of crude palm kernel oil (CPKO). The CPKO price in 2018 decreased by RM1,590.50/tonne or 29.9% to RM3,734.50/tonne from RM5,325.00/tonne in 2017. The lower CPKO prices in 2018 were in tandem with the weaker world palm kernel oil (PKO) prices, which was lower by 27.5% to US$926/tonne. Prices of coconut oil were lower by 37.5% to US$1,002/tonne in 2018 (coconut oil and PKO are sources of lauric oils).

The average FFB price at 1% oil extraction rate (OER) was lower by 24.7% at RM23.75 in 2018 as against RM31.54 in 2017. This was in tandem with the lower prices of CPO and PK. Based on National OER, the average price of FFB was equivalent to RM468/tonne in 2018 as against RM606/tonne in 2017.

(Source: Overview of the Malaysian Oil Palm Industry 2018 by the MPOB)

CORPORATE DEVELOPMENT

Apart from the prior year completion of the amalgamation of the operations of the PT Sawit Nusantara Makmur Utama ("SNMU") Group into its existing operations in Kalimantan, Indonesia, there is no other major corporate development undertaken by NPC in year 2018.

DIVIDENDS AND CAPITAL MANAGEMENT

For the financial year ended 31 December 2017, the final single-tier dividend of 1 sen per share amounting to RM1,168,748 which was approved by the shareholders at the Annual General Meeting on 25 May 2018 was paid on 21 August 2018.

The Group continues to manage its capital structure in a proactive manner to support its business and to enhance returns to shareholders while optimizing the gearing levels and providing for capital investment funding requirements.

CHAIRMAN'S STATEMENT (cont'd)

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our sincere gratitude to the management and valued employees of the Group who have continued with their commitment, dedication and co-operation in contributing to this financial year's results.

I would also like to express our sincere appreciation for the long-standing support, co-operation, commitment and guidance of our valued customers, suppliers, business associates, bankers and regulatory authorities.

Lastly, to the shareholders of the Company, we thank you for your faith in us and for your unwavering and continuous support to the Group.

Thank you.

Datuk Loo Ngin Kong
Executive Chairman

STATEMENT OF MANAGEMENT DISCUSSION AND ANALYSIS

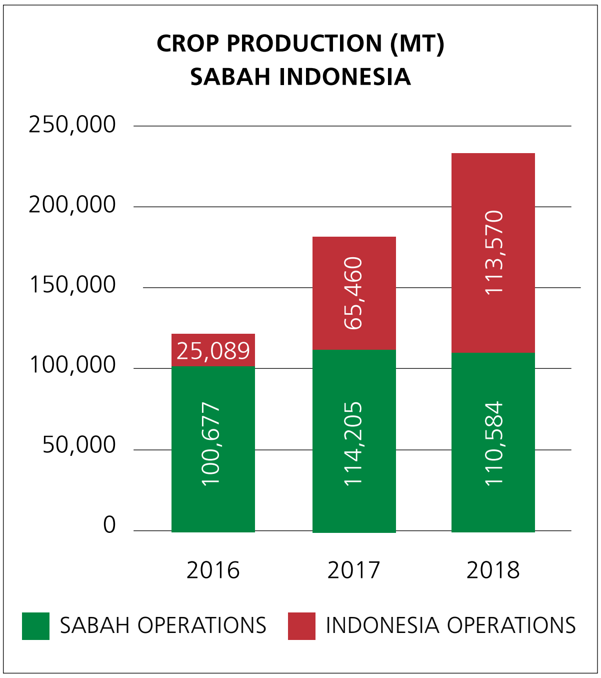
OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

NPC RESOURCES BERHAD is principally an investment holding company while its subsidiaries are involved in investment holding, provision of management services, operation of oil palm plantations and palm oil mills, trading of fresh fruit bunches ("FFB"), provision of transportation services, property letting and operation of hotel. The Company was listed on the Main Board of the Kuala Lumpur Stock Exchange on 7 May 2002.

In Sabah, the Group currently operates approximately 11,669 hectares of plantation land and one palm oil processing mill which has a production capacity of 75 tonnes of FFB per hour, of which 7,660 hectares are located in the Sandakan region and 4,009 hectares in the Banggi Island of Sabah. The palm oil processing mill owned by the Group is located at Kilometre 70, Sandakan-Telupid-Kota Kinabalu Highway in the district of Labuk-Sugut ("Berkat mill").

As at 31 December 2018, the Group has a total plantation land area of 45,064 hectares in Kalimantan Timur, Indonesia, 42,656 hectares of which have been issued with certificates of Hak Guna Usaha by the Indonesian authority ("HGU certificates"). For the financial year 2018, the Group's total planted hectarage in Indonesia was 18,418 hectares, of which 3,041 hectares was plotted to Plasma Schemes. The Group also operates one palm oil processing mill which has a production capacity of 60 tonnes of FFB per hour and is located at Desa Senambah, Kecamatan Muara Bengkal, Kebupaten Kutai Timur, Kaltim ("Nala mill").

OPERATIONAL REVIEW



Estates operation

For the financial year ended 2018, the Group achieved total FFB production of 224,154 mt, which was 24.76% higher than the previous reporting year of 179,665 mt. The significant increase in FFB production was mainly contributed from Indonesia operations totaling 113,570 mt which was 73.49% higher than the prior year production. The increase was mainly due to the larger areas attaining maturity and the amalgamation of the operations of SNMU Group into existing operations in Indonesia since the last financial year.

STATEMENT OF MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

OPERATIONAL REVIEW (cont'd)

Mills operations

The Group currently operates 2 palm oil mills with a combined FFB processing capacity of 135 mt/hour, one located at Labuk-Sugut, Sabah and another one located at Kalimantan Timur, Indonesia.

The Group reported total CPO production of 82,123 tonnes (2017: 69,007 tonnes) and PK production of 17,026 tonnes (2017: 15,415 tonnes). The total FFB processed by the Group for 2018 was 385,156 tonnes (2017: 326,162 tonnes). The increase of 18.08% in FFB processed was due to the increase in FFB production from Indonesia operations.

The average OER of the Group was slightly higher at 21.32% (2017: 21.16%) mainly contributed from the improving OER of Nala mill at 22.45% (2016: 21.39%). Meanwhile the KER of the Group was lower at 4.42% (2017: 4.73%) mainly due to crops processed by Nala mill harvested from young mature phases with low kernel contains.

Overall, the average CPO price realised by the Group was RM2,188 per tonne representing a 20.20% decrease as compared to RM2,742 per tonne realised in 2017, meanwhile the average PK price realised was RM1,617 per tonne (2017: RM2,482 per tonne). The Group expects Indonesia operations to contribute positively to the future performance of the NPC Group.

Capital Expenditure

The Group recorded a capital expenditure of RM47.351 million in property, plant and equipment in the current year as compared to RM43.506 million in the previous year. The 8.83% increase was mainly due to the ongoing new planting development expenditure and replanting expenditure incurred in current year. All capital expenditures are funded by internally generated funds and borrowings.

For replanting expenditure, the Group has replanted 162.72 hectares of oil palm with high yielding materials during the financial year in the Sabah operations. The Group is adopting best practice replanting management in accordance with Malaysian Sustainable Palm Oil ("MSPO") guidance where old palm stands are felled, chipped and left to decompose at site. The Group will continue to accelerate the replanting programme, targeting 500 hectares per year in order to achieve the desired oil palm age profile for the Group.

STATEMENT OF MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

FINANCIAL REVIEW

FINANCIAL YEAR	2014	2015	2016	2017	2018
FINANCIAL RESULTS (RM'000)				**Restated**	
Revenue	479,562	317,758	287,532	246,977	228,369
Profit/(loss) before tax	21,921	(8,421)	55,021	20,125	(50,226)
Income tax expense	(8,321)	(4,712)	(4,808)	(6,160)	(13,878)
Profit/(loss) after tax	13,600	(13,133)	50,213	13,965	(64,104)
Attributable to:					
Owners of parent	15,050	(13,423)	50,555	21,020	(48,229)
Non-controlling interests	(1,450)	290	(342)	(7,055)	(15,875)
FINANCIAL STATISTICS					
Net earning/(loss) per share (sen)	12.55	(11.21)	42.25	17.95	(41.26)
Dividend per share (sen)	1.00	1.00	1.00	1.00	-
Net assets per share (sen)	2.45	2.56	2.64	2.83	2.32
Gearing ratio (Net Debt/Equity) (%)	86.0	124.0	105.0	124.0	165.0

FINANCIAL YEAR	2014	2015	2016	2017	2018
ASSETS (RM'000)			**Restated**	**Restated**	
Property, plant and equipment	510,851	572,903	551,203	785,019	773,713
Land use rights	26,311	30,749	30,492	63,119	63,461
Other assets	49,140	125,158	153,495	70,712	72,509
	586,302	**728,810**	**735,190**	**918,850**	**909,683**
Current assets	82,156	80,399	87,031	76,635	61,398
TOTAL ASSETS	***668,458***	***809,209***	***822,221***	***995,485***	***971,081***

EQUITY AND LIABILITIES (RM'000)					
Share capital	120,000	120,000	120,000	120,000	120,000
Reserves	173,837	186,492	201,133	202,768	142,595
	293,837	**306,492**	**321,133**	**322,768**	**262,595**
Non-controlling interests	479	890	(4,492)	14,159	(668)
Total equity	**294,316**	**307,382**	**316,641**	**336,927**	**261,927**
Non-current liabilities	199,708	250,714	270,681	323,456	181,603
Current liabilities	174,434	251,113	234,899	335,102	527,551
Total liabilities	**374,142**	**501,827**	**505,580**	**658,558**	**709,154**
TOTAL EQUITY AND LIABILITIES	***668,458***	***809,209***	***822,221***	***995,485***	***971,081***

STATEMENT OF MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

FINANCIAL REVIEW (cont'd)

The Group's revenue for financial year 2018 decreased by 7.53% to RM228.369 million as compared to previous reporting year of RM246.977 million. This is due mainly to lower average CPO and PK realised price from the plantation segment.

Loss net of tax increased to RM64.104 million as compared to profit net of tax in last financial year of RM13.965 million mainly due to lower average CPO and PK realised price from plantation segment.

The gearing ratio increased by 33.0% from 124% to 165% due to increase in external loans and borrowings and first-time adoption of Malaysian Financial Reporting Standards ("MFRS") during the financial year under review. The effects of transition to MFRSs are disclosed in note 2.2 to the Financial Statements. The Group continues to manage its capital structure in a proactive manner to support its business, enhance returns to shareholders, optimise the gearing levels and provide for capital investment funding requirements.

OPERATIONAL AND FINANCIAL RISKS

Operational Risks

The Group's operational risks are greatly affected by the weather. As per the "Overview of the Malaysian Oil Palm Industry 2018" by the MPOB, CPO production and FFB yield witnessed significant decreases due to biological effect after experiencing high yield in 2017, coupled with the unpredictable rainy season, which affected harvesting.

The Group was also subjected to the CPO & PK price fluctuations in the world market. In 2018, the CPO price traded lower due to the higher palm oil stocks arising from lower palm oil export demand coupled with weaker prices of other vegetable oil in the world market. The Group sells CPO using the monthly MPOB's Peninsular Malaysia Average price mechanism on long term contracts in Sabah and on spot basis in Indonesia.

On the other hand, the plantation segment depends greatly on the labour supply. Despite the severe labour shortages experienced in 2017/2018 throughout many industrial sectors in Malaysia including the Plantation Sector, the Management has made good progress in terms of completing the majority of its upkeep programmes on time throughout the Group's estates and investing in people which include offering better performance rate in order to attract and retain a highly skilled and talented workforce.

Financial Risks

The Group's financial risks are set out in Note 33 under the Notes to the financial statements.

PROSPECTS AND OUTLOOK

Plantation segment

Given the current level of CPO and PK prices, the Group's plantation segment will remain profitable for the next financial year and its performance will be in line with the industry norm. There are significant revenue and profit contribution from the Group's plantation operations in Indonesia for the next financial year as more plantation areas are reaching maturity stage.

Hotel segment

The prospect of the hotel segment is expected to continue improving in the current financial year as Sabah has become one of the most popular travel destinations for Chinese tourists visiting Sabah in the coming years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board acknowledges the importance of good corporate governance to the success of the Group. It strives to ensure that a high standard of corporate governance is being practised throughout the Group in ensuring continuous and sustainable growth for the interests of all its shareholders and stakeholders.

The Board is pleased to present this statement to provide shareholders and stakeholders with some insights into how the Board has applied the three (3) principles which are set out in the Malaysian Code on Corporate Governance (the "MCCG"):

(a) Board leadership and effectiveness;
(b) Effective audit and risk management; and
(c) Integrity in corporate reporting and meaningful relationship with stakeholders.

The Board has assessed that the Group has complied with the provisions and applied the main principles of MCCG for the financial year ended 31 December 2018 except for:

i) Practice 4.1 (The Board comprise at least half of independent directors)
ii) Practice 4.3 (The Board has a policy which limits the tenure of independent directors to 9 years)
iii) Practice 6.1 (The remuneration policies made available on the website)
iv) Practice 7.2 (The Board discloses on a named basis the top 5 senior management's remuneration in bands of RM50,000)

The occurrence of deviations to the practice by the Group with the reasons and alternative actions are explained in the Corporate Governance Report.

PRINCIPLES A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board plays a primary role in corporate governance by setting out the strategic direction of the Group, establishing goals and monitoring the achievement of the goals. A structured risk management process has also been established to better identify, formalise, monitor within the various operating units and manage the business risks affecting the Group. The key responsibilities of the Board are disclosed in Corporate Governance Report 2018.

Roles of Chairman and CEO

The Group Managing Director, Dato' Loo Pang Kee, who assumes the role of CEO, focused on the business and day-to-day management of the Group. There has been a clear division of the roles of Chairman and CEO in their responsibilities and influence, and the Board is satisfied that no one individual can influence board discussions and decision-making. In matters which have potential conflict of interests involving the Chairman of the Group, the Deputy Chairman, Dato' Seri Tengku Dr. Zainal Adlin bin Tengku Mahamood who is a non-executive independent director will assume the role of the Chairman in the board meetings.

Company Secretaries

The Company Secretaries are responsible to provide clear and professional advice to the Board on all governance matters and assist the Board on the implementation of an effective corporate governance system. Apart from playing an active role in advising the Board on governance and regulatory matters, the Company Secretaries through the Executive Chairman and the Group Managing Director, manage all board and committee meeting logistics, attend and record minutes of all meetings accurately.

The Board recognises the strong and positive support of the Company Secretaries for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Directors are informed and are aware that they may take independent professional advice, if necessary and appropriate in furtherance of their duties, at the expense of the Group. The Company Secretaries are members of the Malaysian Institute of Accountants (MIA) or the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and undertake continuous professional development annually.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLES A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Board Charter

The Board is guided by the Board Charter which sets out the role, composition and responsibilities of the Board and is posted at the Company's corporate website (www.npc.com.my). The Board will review the Board Charter annually to ensure it remains consistent with the Board's objectives and responsibilities. In carrying out its role and responsibilities, the Board is further guided by the existing code of conduct formalised in the Group's Human Resource Handbook and its compliance is to be strictly observed throughout the Group.

Code of Conduct and Whistleblowing

The Board continues to adhere to the Code of Conduct for Directors which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that in turn promotes the values of transparency, integrity, accountability and social responsibility.

The Board recognises the importance of adhering to and complying with the provisions of the Code of Conduct in their day-to-day functioning. Thus, the Board collectively and individually acts within the authority conferred upon them in the best interest of the Group.

The Group communicates the Code of Conduct for Directors and the Code to all employees upon their appointment/employment. In addition, the Group encourages its employees to raise genuine concerns about possible improprieties in matters of financial reporting, compliance, suspected violations of the Code and to disclose any improper conduct or other malpractices within the Group (i.e. whistleblowing) in an appropriate way.

The Code is to provide an avenue for all employees of the Group to raise concerns about any improper conduct within the Group without fear of retaliation and to offer protection for such persons who report such concerns.

II. Board Composition

The Board has three standing committees; the Audit Committee ("AC"), the Remuneration Committee ("RC") and Nomination Committee ("NC"). The Board of Directors delegates certain responsibilities to the Audit Committee in order to enhance business and operational efficiency.

The Board is well balanced in size and composition and the interest of shareholders of the Company are fairly represented through the current composition. The Board recognises the importance and contribution of its non-executive directors ("NEDs"). They represent the element of objectivity, impartiality and independent judgement of the Board. This ensures that there is sufficient check and balance at the Board level. The Independent NEDs bring a wide range of experience and expertise to the Group's affairs, and carry significant weight in the Board's decisions. The Independent NEDs are encouraged to challenge management and help develop proposals on strategy.

The Board will undertake an annual assessment and seek annual shareholder's approval through a two-tier voting process to retain independent directors who have served the Board beyond (twelfth) 12 years to ensure the objectivity in the decision-making process. The Board and its NC assessed the independence of all the Independent NEDs based on the criteria prescribed under the Main LR in which an Independent Director should be independent and free from any business or other relationship which could interfere with the exercise of independent judgement, or the ability to act in the best interest of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLES A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Diverse Board

The Board is aware of the importance of board diversity and the recommendations of the board gender diversity objectives stated in the Corporate Governance Blueprint 2011 which target at least 30% women participation at the board by year 2018. The Board always practices the policy of non-discrimination on the basis of race, religion and gender.

The Board will continue to review the suitability and credibility of potential women candidates for the Board to reach 30% women participation. However, the Board, especially the Nomination Committee, believes that it is more important to have the right mix of skills, experience and cultural background at the board instead of the percentage itself in order to enable the Board to perform effectively.

Board Meetings

The Board had held 5 meetings during the financial year ended 31 December 2018. Details of the attendance of the Directors at the Board Meetings are as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
1. Datuk Loo Ngin Kong	3	5
2. Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood	4	5
3. Dato' Loo Pang Kee	5	5
4. Wong Siew Ying	3	5
5. Lim Ted Hing	5	5
6. Dr. Edmond Fernandez	5	5
7. Tan Sri Dato' Sri Koh Kin Lip, *JP*	4	5
8. Tan Vun Su	5	5

The Board's deliberations of issues discussed and decisions reached were recorded in the minutes of meetings. Minutes of each board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes before the commencement of the next Board meeting.

In the interval between Board meetings, for matters requiring urgent Board decisions, Board approvals were sought via circular resolutions which were attached with sufficient information required for an informed decision.

Directors' Continuing Development

All Directors have attended the Mandatory Accreditation Programme as required by Bursa Malaysia.

The Directors are required to attend talks, seminars, workshops, conferences and other training programmes to update themselves on, inter-alia, areas relevant to the Group's operations; Directors' responsibilities and corporate governance issues, new business development, as well as on changes to statutory requirements and regulatory guidelines.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLES A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Directors' Continuing Development (cont'd)

Details of training attended by Directors for the financial year ended 31 December 2018 are as follows:

Conference/Seminar/Workshop

- 10th Asia Sustainable Oil Palm Summit Conference organised by Centre for Management Technology
- Drafting a Constitution for Your Company & Preparing a Gap Analysis Report Seminar organised by The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA)
- Companies Act 2016. What's New for Company Secretaries? organised by Companies Commission of Malaysia (SSM)
- Financial Essentials for Company Secretaries and Directors organised by SSM
- Corporate Directors Training Programme Fundamental 2.0 organised by SSM
- Directors' Continuing Education Programme 2018 organised by Fraser & Neave Holdings Bhd and Cocoaland Holdings Berhad
- Corporate Governance Guide 3rd Edition: Moving From Aspiration to Actualisation organised by Malaysia Institute of Corporate Governance
- Medical Examiners Engagement session organised by MiCare Sdn Bhd
- The AOEMM & MMA Sabah Workshop on Medical Surveillance 2018 organised by Malaysian Medical Association Sabah Branch
- Primary Care Masterclass 2018 organised by MSD (Malaysia) Sdn Bhd
- 5th Regional Conference of Occupational Health (RCOH) 2018 organised by Social Security Organisation & Malaysian Medical Association Foundation
- Oil Palm HSE Management Forum organised by National Institute of Occupational Safety and Health (NIOSH)
- SOME CPD Series 3 – Occupational Medicines In Practice organised by Society of Occupational and Environment Medicine (SOME, MMA)
- 2019 Budget Seminar organised by Malaysia Institute of Accountants

Nomination Committee

In Compliance with the Listing Requirements, a Nomination Committee was established by the Board on 22 November 2002. The Committee comprises two Independent NEDs. The members as at the date of this Annual Report are:

1. Mr. Lim Ted Hing – Chairman
2. Dr. Edmond Fernandez – Member

The NC is entrusted to formally and transparently review annually the Board structure, size and composition; to nominate candidates to fill vacancies; and recommend for re-election of Directors who are retiring. All Directors will be subject to the same assessment criteria and process. The Board through this Committee ensures that there is an appropriate induction and training programme for new Board members.

The Committee is entitled to the services of the Company Secretaries who must ensure all appointments are properly made and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLES A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Nomination Committee (cont'd)

In making recommendations and performing its annual review, the NC considers the directors'
(a) mix of skills, knowledge, expertise and experience;
(b) professionalism and integrity; and
(c) in the case of audit committee members, each member's ability to discharge responsibilities and functions as required such as the ability to read, analyse and interpret financial statements.

The full Committee met twice during the financial year. The meeting on 26 February 2018 was to assess the effectiveness of the Board, Board Committees and the contribution of individual director.

Board Evaluation

The Board evaluation carried out by the NC comprises Board Skills Matrix Evaluation, Board and Board Committee Evaluation and Audit Committee Evaluation. The annual evaluation was formally and objectively carried out to determine the effectiveness of the board, the committees and each individual director.

Reappointment and Re-election of Directors

In accordance with Company's Constitution, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting after their appointment. The Constitution also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting and that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

Pursuant to Practice 4.2 of the MCCG 2017, any independent director who has served in that capacity for more than nine years and is to be retained by the Board in that capacity is subject to shareholders' approval at every Annual General Meeting.

On 20 April 2018, the NC met to consider and recommend the:-

(a) proposed re-election of Madam Wong Siew Ying, retiring as a director pursuant to Article No. 93, at the conclusion of the 18th Annual General Meeting;
(b) proposed re-election of Mr. Tan Vun Su, retiring as a director pursuant to Article No. 93, at the conclusion of the 18th Annual General Meeting; and
(c) proposed to retain Dr. Edmond Fernandez, Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku and Mr. Lim Ted Hing to continue act as an Independent Non-Executive Director.

III. Remuneration Framework

The Board has in place a remuneration framework for the Board which is clear and transparent, designed to provide fair and competitive remuneration package for the Board of the Company to ensure the same remain competitive, appropriate, and in alignment with the prevalent market practices.

Remuneration Committee

The Remuneration Committee is in place since 2002 and assumes the roles of reviewing and recommending to the Board the remuneration framework for retaining and rewarding the Board with due regard to their skills, experience, complexities and the performance of the Group as a whole.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLES A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration Framework (cont'd)

The details of the remuneration for the Directors of the Company and a subsidiary during the financial year ended 31 December 2018 are as follows:

	Company				Subsidiary	Group
	Fee RM'000	Salaries, Bonus & Others* RM'000	Benefits-in-kind RM'000	Total RM'000	Salaries, Bonus & Others RM'000	Total RM'000
Executive Directors						
Dato' Loo Pang Kee	10	901	29	940	1,191	2,131
Datuk Loo Ngin Kong	10	869	29	908	-	908
Wong Siew Ying	10	580	1	591	-	591
Tan Vun Su	10	534	-	544	-	544
Total	**40**	**2,884**	**59**	**2,983**	**1,191**	**4,174**
Non-Executive Directors						
Lim Ted Hing	10	122	-	132	-	132
Dr. Edmond Fernandez	10	110	-	120	-	120
Tan Sri Dato' Sri Koh Kin Lip, *JP*	10	106	-	116	-	116
Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood	10	52	-	62	-	62
Total	**40**	**390**	**-**	**430**	**-**	**430**

Notes:
* The salaries, bonus & others are inclusive of allowance and employer's provident fund contributions.

The number of Directors whose remuneration during the financial year ended 31 December 2018 falls within the following bands is as follows:

	NUMBER OF DIRECTORS	
Directors' Remuneration RM	**Executive**	**Non-Executive**
50,001 to 100,000	-	1
100,001 to 150,000	-	3
500,001 to 550,000	1	
550,001 to 600,000	1	-
900,001 to 950,000	1	-
2,100,001 to 2,150,000	1	

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLES B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Risk Management and Internal Control Framework

The Board assumes its responsibility for ensuring the maintenance of a sound system of internal control and risk management. This is supported by a Risk Management Committee ("RMC") to determine the Group's level of risk tolerance and actively identify, assess and monitor key business risks to deliver long term shareholders value without compromising the interests of minority shareholders and other stakeholders. The details of the Risk Management and Internal Control Framework are set out in the Statement on Internal Control and Risk Management of this Annual Report.

Audit Committee

The Audit Committee was formed by the Board since 2002 with two (2) Independent NEDs and one Non-Independent NED. The AC is chaired by an Independent NED, Mr. Lim Ted Hing. The AC members are financially literate, possess the appropriate level of expertise and experience and have a strong understanding of the Group's business in order to drive the success of the Group.

The Board has added a policy to require key audit partner to observe a cooling-off period at least two (2) years before being appointed as a member of the AC and is formalised into the Terms of Reference of AC. It is an existing practice for AC to assess the suitability, objectivity and independence of the external auditor annually.

Internal audit

The Group's internal audit function is carried out by an external independent accounting firm and an in-house Internal Audit ("IA") Department. They report directly to the AC on its activities based on the approved annual Internal Audit Plan. The internal audit function is independent of management and has full access of all Group's entities, records and personnel. The internal audit personnels are free from any relationships or conflict of interest which could impair their objectivity and independence. The details of internal audit function are set out in the Statement on Internal Control and Risk Management of this Annual Report.

The Board discharged its responsibility for monitoring the operational effectiveness of the internal control and risk management systems throughout the financial year and up to the date of approval of the Annual Report.

PRINCIPLES C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Board believes in clear and regular communication with its stakeholders and institutional investors. Besides the various announcements made during the financial year and release of financial results on a quarterly basis, the Board anticipates through its Seventeenth Annual Report to provide stakeholders with an overview of the Group's performance and its business activities.

The Group has also established corporate website www.npc.com.my for stakeholders and the public to access corporate information, financial statements and latest corporate development.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLES C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

II. Conduct of General Meetings ("AGM")

The Board understands that the AGM is the principal forum for dialogue with shareholders. Hence opportunities will be made for shareholders to raise questions pertaining to the business activities of the Group during the AGM.

The notice of AGM is circulated to the shareholders at least 28 days prior to the meeting. Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

Shareholders are encouraged to post questions and to seek clarifications in relation to AGM's agenda by way of posting the enquiries through our Contact section of our corporate website before the commencement of the AGM. These enquiries will be read out and answered at the AGM. All directors of the Company are present at the AGM to provide opportunity for shareholders to effectively engage with each director.

The Company will continue to explore the leverage of technology, to enhance the quality of engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company.

COMPLIANCE STATEMENT

The Group had substantially complied with the relevant Principles and Practices of the MCCG 2017 as at date of this statement except for those which have been stated otherwise with justifications and mitigation steps taken to address the non-compliance.

The CG Overview Statement was approved by the Board of Directors dated 22 April 2019.

SUSTAINABILITY STATEMENT

The Group recognises the importance of the Sustainability and Corporate Social Responsibility ("CSR") and has made business sustainability integral to our way of conducting business in achieving our short and long term business aims. The Board values the responsibility of NPC for the impacts of its activities on its material economic, environmental and social risks and opportunities, and has used sustainability as a guiding principle in its decision-making and development processes.

Economic

The Group continues to maintain self-sufficiency in energy inputs in our palm oil mills. In an effort to reduce water wastage and lower the cost of water consumption, the Group uses the Teknologi Enviro-Kimia (TEK) water treatment for plantation workers' usage and drinking consumption.

The Board ensures that all Company employees reduce its energy and water usage. It is a standard practice in the offices for employees to record all use of office supplies. This is to enable better management of wastages to paper, stationery and other materials which would contribute to Company expenses as well as labour when replenishing the supply.

Environmental

The Group practice a standard of zero-burning in all its land clearing, development and re-development activities. It also carries out soil and water conservation methods tailored to the topography and drainage characteristics of the land. The TEK water treatment used in the plantation also works to protect the environment from unnecessary usage of clean and drinking water by treating and recycling used or impure water. Where practical, buffaloes are used for infield FFB evacuation thus reducing the consumption of non-renewable fuel.

The Palace Hotel (TPH) owned by the wholly-owned subsidiary, The Palace Ventures Sdn Bhd (TPVSB) has been practicing energy efficiency and waste management to 4R – Respect, Reduce, Reuse & Recycle in resource conservation, water management and biodiversity. These practices minimise carbon footprints impact on the environment. The Hotel is a Green Hotel certified by the Ministry of Culture and Tourism and established as Highly Commended in the Asia Pacific Green Hotelier Award. It is recognised as a Litter Free Hotel by Kota Kinabalu City Hall, Blue Ribbon recognition as a Smoke Free Hotel certified by Ministry of Health Malaysia and bench-marked by EarthCheck, Australia.

Social

The Group values the contribution of its labours force and has undertaken various efforts to improve its social initiatives. In improving the welfare of its workers, there are several clinics established in the plantations and palm oil mills for Company workers' medical and health needs. The Company is fully committed to promoting accessibility to health care. In addition to the clinics, every plantation division in Sabah also houses a childcare facility (crèche).

As for improving the level of education in the Group, the Group in combination with the Humana Child Aid Society Sabah (UNHCR) has constructed a school in Division 1 of the Group plantation in Sabah. It allows for the children of plantation workers who reside too far from local schools to receive education. Besides that, the Group also encourages and sends management level employees for periodic skills updating and seminars.

NPC 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, and volunteers and any other comparable form that constitutes as labour according to local and international laws, within its Group and subsidiaries.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and their results and cash flows for the financial year then ended, including the profit or loss of the Group for that financial year. Under that Law, the Directors are required to prepare the Group financial statements in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

In preparing the financial statements, the Directors have:

- selected appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether MFRSs as adopted by the MASB and applicable Malaysian Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statement respectively;
- provided additional disclosures when compliance with the specific requirements in MFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business stated whether applicable accounting standards have been followed and made a statement to the effect in the financial statements, subject to any material departures being disclosed and explained in the financial statements.

The Directors are responsible for ensuring that proper accounting records that are sufficient to show and explain the Groups' transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company are kept, which enable them to ensure that the financial statements comply with the requirements of the Companies Act 2016 and the applicable approved accounting standards in Malaysia. They are responsible for taking reasonable steps to safeguard the assets of the Group and the Company, for prevention and detection of fraud and other irregularities.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's performance, business model and priorities. Each of the Directors, whose names and functions are set out on pages 9 to 11 of the NPC Annual Report 2018, confirms that, to the best of their knowledge, the financial statements, which have been prepared in accordance with the MFRS, IFRS and the requirements of the Companies Act 2016 in Malaysia so as to give true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole.

ADDITIONAL COMPLIANCE INFORMATION

The following additional information is provided in compliance with the Listing Requirement of the Bursa Malaysia:-

1. Share Buybacks

During the financial year, a total of 16,900 ordinary shares were purchased and retained as Treasury Shares. The details of the Company's Share Buy Back exercise for the financial year ended 31 December 2018 are as follows:

Month	No. of shares Purchased and Retained as Treasury Shares	Purchase Price Per Share (RM)		Average Cost Per Share (RM)*	Total Cost (RM)
		Lowest	Highest		
January	7,400	1.90	1.96	1.95	14,482
February	4,500	1.92	2.00	1.97	8,864
March	5,000	1.96	2.00	1.99	9,993
	16,900				33,339

** Inclusive of transaction charges*

As at 31 December 2018, the cumulative total number of shares held as Treasury Shares was 3,125,200. None of the Treasury Shares were resold or cancelled during the financial year.

2. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued during the financial year.

3. American Deposit Receipt ('ADR') or Global Deposit Receipt ('GDR') Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

4. Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant authorities.

5. Audit and Non-Audit Fees

i. The amounts of audit fees paid/payable to the external auditors for services rendered to the Company and the Group for the year were RM218,000 and RM560,000 respectively.

ii. The amounts of non-audit fees paid/payable to the auditors for services rendered to the Company and the Group for the year were RM130,000 and RM208,000 respectively.

6. Profit Estimate, Forecast or Projection

No material variance arose between the audited results for the financial year and the unaudited results previously announced. There were no profit estimate, forecast or projection for the financial year ended 31 December 2018.

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

The following additional information is provided in compliance with the Listing Requirement of the Bursa Malaysia:- (cont'd)

7. Profit Guarantee

During the financial year, there was no profit guarantee given by the Company.

8. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries which involved Directors' and major shareholders' interest either still subsisting at the end of the financial year.

9. Recurrent Related Party Transactions

The details of the related party transactions are set out in note 32 to the financial statements.

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee and their respective designations are as follows:-

	NAME	DESIGNATION	DIRECTORSHIP
1.	Lim Ted Hing	Chairman	Independent Non-Executive Director
2.	Dr. Edmond Fernandez	Member	Independent Non-Executive Director
3.	Tan Sri Dato' Sri Koh Kin Lip, *JP*	Member	Non-Independent Non-Executive Director

The Audit Committee was formed by the Board of Directors on 19 March 2002.

The Chairman of the Audit Committee, Mr. Lim Ted Hing is a Chartered Accountant with the Malaysian Institute of Accountants (MIA).

The Company has complied with the Malaysian Code of Corporate Governance 2017 and Paragraph 15.09 of the Bursa Malaysia Listing Requirements which require that all members of the audit committee should be non-executive directors.

Terms of reference

The Audit Committee is governed by the following terms of reference:

1. Composition of the audit committee

The Audit Committee shall be appointed by the Board of Directors from among their numbers and shall comprise at least three directors, all must be non-executive directors with a majority of them shall be independent of other fellow directors, substantial shareholders, senior management and operating executives and unencumbered by any relationships that might, in the opinion of the Board of Directors, be considered conflict of interest. The members of the Audit Committee shall elect a chairman from among themselves who shall be an independent director.

All members of the audit committee should be financially literate and at least one member of the audit committee:-

(a) must be a member of the Malaysian Institute of Accountants (MIA); or
(b) if he is not a member of the MIA, he must have at least 3 years' working experience and:-

    (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
    (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia.

No alternate director shall be appointed as a member of the audit committee and provided, further, prior appointment of a former key audit partner as a member of the audit committee, he/she is subject to observe a cooling-off period of at least 2 years before the appointment.

AUDIT COMMITTEE REPORT (cont'd)

Terms of reference (cont'd)

The Audit Committee is governed by the following terms of reference: (cont'd)

2. Authority

The Audit Committee is authorised by the Board of Directors to:

(a) investigate any matters within its terms of reference;
(b) have the resources required to perform its duties;
(c) have full and unrestricted access to any information pertaining to the Group;
(d) have direct communication channels with the external auditors, internal auditors and person (s) carrying out the internal audit function or activity;
(e) be able to obtain independent professional advice and other advice; and
(f) be able to convene meetings with the external auditors, the internal auditors, the person (s) carrying out the internal audit function or activity or all, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

3. Duties

The duties of the Committee should include the following:

(a) to recommend the nomination of a person or persons as external auditors, and to consider the audit fee and any questions of re-appointment, resignation or dismissal of external auditors;
(b) to assess the suitability, objectivity and independence of external auditors by reviewing the terms of engagement for the services rendered by them;
(c) to discuss with the external auditors before audit commences, the nature and scope of the audit contained in the audit plan, and ensure coordination where more than one audit firm is involved;
(d) to review the assistance given by the Company and its officers to the external and internal auditors;
(e) to review the adequacy and the integrity of the Group's internal control systems and management information systems with the external auditors;
(f) to review the quarterly and year-end financial statements of the Company prior to the approval by the Board; focusing particularly on:
    (i) any changes in or implementation of major accounting policies and practices;
    (ii) significant and unusual events;
    (iii) significant adjustments arising from the audit;
    (iv) the going concern assumption; and
    (v) compliance with applicable Financial Reporting Standards in Malaysia and other legal requirements;
(g) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
(h) to review the external auditors' audit report, management letter and management's response;
(i) to perform the following in respect of the internal audit function:
    (i) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
    (ii) review the internal audit program, processes and results of the internal audit program, process or investigation undertaken and where necessary ensure that appropriate actions taken on the recommendations of the internal auditors;
    (iii) review any appraisal or assessment of the performance of the internal audit function;
    (iv) approve any appointment or termination of internal auditors; and
    (v) inform itself of resignation of internal auditors and provide the resigning internal auditors an opportunity to submit reasons for resigning;

AUDIT COMMITTEE REPORT (cont'd)

Terms of reference (cont'd)

The Audit Committee is governed by the following terms of reference: (cont'd)

3. Duties (cont'd)

The duties of the Committee should include the following: (cont'd)

(j) to consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
(k) to consider the major findings of internal investigations and management's response; and
(l) to report the above to the Board and consider other topics as defined by the Board.

4. Quorum and procedures for meetings

The Audit Committee meetings shall not be less than four times a year. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Representatives of external auditors may be required to be in attendance at meetings where matters relating to the audit of the statutory accounts are to be discussed. However, at least twice a year, the Audit Committee shall meet with the external auditors without any executive Board Members present, if deemed necessary.

The Committee shall meet at least once annually with the internal auditors to discuss the internal audit findings for the financial year without any executive Board Members present, if deemed necessary.

Other appropriate officers of the Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Chairman of the Audit Committee.

The quorum for the meeting shall be any two members, one of whom shall be an independent director.

The Company Secretaries shall be Secretaries to the Audit Committee. The Secretaries in conjunction with the Chairman, shall draw up agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee. The Audit Committee Chairman shall report on each meeting to the Board of Directors.

5. Retirement and resignation

In the event of any vacancy in an audit committee resulting in the non-compliance of subparagraphs 15.19 of Bursa Malaysia Listing Requirements, the vacancy must be filled within 3 months.

6. Review of the audit committee

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members annually to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

AUDIT COMMITTEE REPORT (cont'd)

Terms of reference (cont'd)

The Audit Committee is governed by the following terms of reference: (cont'd)

7. External Auditor Assessment

(a) Introduction

The Board of Directors recognises that the external auditor plays a vital role in the process of accountability for shareholders and the effective functioning of the capital market by the provision of consistent and reliable financial reporting.

The Audit Committee is assisting the Board's oversight function in ensuring the integrity of NPC Group's financial statements as well as in engaging and overseeing the external auditors. The Committee is responsible for reviewing, assessing and monitoring the performance, suitability and independence of external auditors.

(b) Objective

The objective of this External Auditor Policy is to outline the guidelines and procedures for the Audit Committee to review, assess and monitor the performance, suitability and independence of NPC Group's External Auditors as a measure for ensuring financial statements are a reliable source of information.

(c) Selection and Appointment

The Board has delegated to the Committee the responsibility for the appointment, remuneration and removal of external auditors.

Pursuant to Section 271 (1) of the Companies Act 2016, the Company shall appoint or re-appoint the external auditors of the Company for each financial year. The Board will conduct the said appointment or re-appointment at each Annual General Meeting, and the external auditors so appointed shall, hold office until the conclusion of the next Annual General Meeting of the Company.

Should the Committee determine a need for a change of external auditors, the Committee will follow the following procedures for selection and appointment of new external auditors:-

(i) the Committee will identify the audit firms who meet the criteria for appointment and will request for their proposals of engagement for considerations;
(ii) the Committee will assess the proposals received and shortlist the suitable audit firms;
(iii) the Committee will meet and/or interview the shortlisted candidates;
(iv) the Audit Committee may delegate or seek the assistance of the Chief Financial Officer to perform items (i) to (iii) above;
(v) the Committee will recommend the appropriate audit firm to the Board for appointment as external auditors; and
(vi) the Board will if deemed appropriate, endorse the recommendation and seek shareholders' approval for the appointment of the new external auditors and/or resignation/removal of the existing external auditors at the general meeting.

AUDIT COMMITTEE REPORT (cont'd)

Terms of reference (cont'd)

The Audit Committee is governed by the following terms of reference: (cont'd)

7. External Auditor Assessment (cont'd)

(c) Selection and Appointment (cont'd)

Selection Criteria:
The Audit Committee will give due consideration to the following criteria when selecting the preferred the External Auditors for recommendation to the Board:-

(i) Approach to business and operations
- Business model and governance of the audit firm
- Internal partner firm processes
- Audit firm partner rotation and succession planning

(ii) Audit ability and approach
- Skills and knowledge, experience, expertise, qualifications and training of the proposed external audit team
- Proposed methodology
- Areas that will receive primary focus and the related audit approach
- Comprehensive work plan
- Use of associated or affiliated member firm personnel and third-party experts

(iii) Business and industry understanding
- Audit firm and team kept up-to-date with latest auditing, accounting and business regulations, or any other related legalities

(iv) Industry-specific experience

(v) Communication strategy
- Additional internal status report
- Policy regarding the availability of partners and managers for miscellaneous telephone inquiries and short meetings throughout the year
- Means to ensure the timeliness of the information

(v) Reputation
- Application of corporate governance
- Good ethical reputation
- References

(vi) Evidence of audit quality
- Within the audit firm: review of the system of internal quality assurance
- External information: review of the auditor's/audit firm's specific reports

(vii) Interview with the individual auditor/audit engagement partner

(viii) Auditor's/audit firm's insurance coverage

(ix) Price
- 'Value for money'
- The availability of key team members
- The proposed audit team personnel resources, their experience, expertise, qualifications and training
- The allocation of personnel, i.e. hours to be spent allocated to each type and level of qualified resource
- Audit team member relationship management and interpersonal skills

(x) Capacity for innovation
- Ability to improve the audit processes, e.g. using IT tools
- Tools to be more efficient and effective in the audit work

AUDIT COMMITTEE REPORT (cont'd)

Terms of reference (cont'd)

The Audit Committee is governed by the following terms of reference: (cont'd)

7. External Auditor Assessment (cont'd)

(d) Independence Assessment

The independence of external auditors is essential to the provision of an objective opinion on the truth and fairness of the financial statements of the Company. Pursuant to Recommendation 8.3 under Principle B of the Malaysian Code on Corporate Governance 2017, the Audit Committee is also mandated to ensure continuing objectivity, suitability and independence of the external auditors.

In discharging this duty, the Committee shall carry out an annual evaluation of the external auditors which shall encompass an assessment of the qualifications and performance of the auditors; the quality and candour of the auditors' communications with the Committee and the Company; and the auditors' independence, objectivity, and professional scepticism.

The external auditors are precluded from providing any services that may impair their independence or conflict with their role as external auditors. The Committee shall obtain a written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The Committee may also request the Chief Financial Officer (or equivalent) and/or Head of Internal Audit to perform the annual assessment of the external auditors.

(e) Independence

The Audit Committee shall review the independence of the external auditors annually. The external auditors must be independent from NPC Group and also be seen to be independent from NPC Group. Specifically, the external auditors will need to satisfy the Audit Committee that:-

(i) no services will be provided that will result in a conflict of interest;
(ii) any services provided additional to that of the audit function involving non-audit services, would not have a material bearing on the audit and would not involve the firm auditing their own work;
(iii) the audit firm has an audit personnel rotation policy, including lead and signing partners, requiring rotation at least every five years in compliance with the requirements of the Malaysia Institute of Accountants; and
(iv) there will be no situations where the auditors assume the role of management or where the auditors are placed in the role of advocate for the Group.

In avoidance of doubt, the Audit Committee shall obtain a written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

AUDIT COMMITTEE REPORT (cont'd)

Terms of reference (cont'd)

The Audit Committee is governed by the following terms of reference: (cont'd)

7. External Auditor Assessment (cont'd)

(f) Non-Audit Services

The External Auditors can be engaged to perform non-audit services provided such services provided do not impair, or appear to impair the auditors' independence or objectivity. This excludes audit related work in compliance with statutory requirements. The prohibition of non-audit services is based on three (3) basic principles as follows:-

(i) external auditors cannot function in the role of Management;
(ii) external auditors cannot audit their own work; and
(iii) external auditors cannot serve in an advocacy role of the Group.

The external auditors shall also observe and comply with the By-Laws of the Malaysian Institute of Accountants in connection with the provision of non-audit services, which also prohibit the provision of certain services including the following:

(i) Accounting and bookkeeping services;
(ii) Valuations services;
(iii) Internal audit services;
(iv) IT systems services;
(v) Litigation support services;
(vi) Recruitment services; and
(vii) Corporate finance services.

All engagement of the external auditors to provide non-audit services is subject to the approval/ endorsement of the audit committee. Management shall also obtain written assurance from the external auditors that the independence of the external auditors will not be impaired by the provision of non-audit services.

(g) Annual Reporting

The external auditors shall:

(i) Issue an annual audit plan for review and discussion with the Audit Committee;
(ii) At the conclusion of the audit review, shall discuss findings, significant audit weakness and audit related recommendations with the Audit Committee and Senior Management; and
(iii) Provide a management letter to the Audit Committee upon completion of the annual audit.

(h) Review of the External Auditor Independence

The Board and the Audit Committee will review the External Auditors Assessment periodically to ensure that it continues to remain relevant and appropriate.

AUDIT COMMITTEE REPORT (cont'd)

INTERNAL AUDIT

The Group has an in-house internal audit team with relevant experience and education to ensure the internal control of the operations in Sabah and Indonesia is in place. The in-house internal audit team also reports directly to the Audit Committee. The main activities undertaken by the internal auditors during the financial year are as follow:

(a) to review the key internal controls relating to estates and palm oil mill's store issue and receipts;
(b) to review the key internal controls relating to estates' harvesting, collection and transporting of fresh fruit bunches operation, pests and diseases census programme, manuring and weeding operations, workers' wages and payroll function and fixed assets;
(c) to review the key internal controls relating to purchase requisitions and ordering system for estates and palm oil mill's operations;
(d) to review the key internal controls relating to hotel's room sales and purchasing and receiving of food and beverages;
(e) to report the findings and recommendations from the above review to the Audit Committee.

The results of the internal audit function are set out in the Statement of Internal Control.

MEETINGS AND SUMMARY OF ACTIVITIES

The Committee had held five meetings during the financial year. The attendance record of the Audit Committee members in each of the meetings is as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
Lim Ted Hing	5	5
Dr. Edmond Fernandez	5	5
Tan Sri Dato' Sri Koh Kin Lip, *JP*	4	5

The main activities undertaken by the Committee were as follows:

(a) reviewed the unaudited Quarterly Financial Results of the Group and its disclosure requirements before recommending them for the Board's approval;
(b) reviewed the year end financial statements of the Company prior to submission to the Board for their consideration and approval. This review was to ensure that the financial statements were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable Financial Reporting Standards in Malaysia;
(c) reviewed each quarter's related party transactions and report the same to the Board;
(d) reviewed the audit plans and service charter presented by the external auditors; and
(e) reviewed the internal audit program, processes and results of the internal audit processes.

Details of training attended by the Audit Committee members are disclosed on page 22 of the Statement on Corporate Governance.

This Audit Committee Report is made in accordance with the resolution of the Audit Committee dated 22 April 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Responsibility

The Board recognises that it is responsible for the Group's system of risk management and internal control and for reviewing its adequacy and effectiveness.

The Board confirms that there is an ongoing process of identifying, evaluating and managing the significant risks faced by the Group which are present throughout the financial year under review and up to date of approval of the annual report and financial statements. This is in accordance with the guidance as contained in the publication – Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

As with any internal control system, controls can only provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Risk Management Framework and Control Self-Assessment

The Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. The risk management framework has been formalised in compliance with Bursa Malaysia Listing Requirements with emphasis on compliance with the Corporate Governance and Internal Control. The Board reviews the risk management framework annually and the management has been entrusted to continuously monitor the identified principal risks of the Group, evaluate existing controls and formulate the necessary action plans with its respective process owners. The Executive Directors are tasked with the responsibility of continuous monitoring and reviewing strategic directions and significant operational matters of the Group.

Other Key Elements of Internal Control

Scheduled meetings at head office and operation sites were held to identify, discuss and resolve business and operational issues. The Board was aware of, and involved in, when necessary in resolving any significant issues identified at those meetings. The Executive Directors are actively involved in the day-to-day operations of the Group.

The Group has a clear management structure that clearly defines lines of accountability and delegated authority. There is also proper segregation of duties to ensure safe custody of the Group's assets. The Group's organisation chart includes the Management Committee, headed by the Group Managing Director. The Management Committee meets monthly at head office or operation sites to discuss and review the Group's operations and ensures that they are carried out in accordance with the standards set and expected by the Board. There is a structured and formal employee appraisal system that ensures employees are remunerated based on their performance.

The Board has reviewed the Group's budget for the current financial year. The budgeting process includes the preparation of budgets by individual operating units, which are approved at management level and ultimately by the Board. Actual performance and results are monitored against budgets, with reasons for significant variances identified and highlighted to management and the Board for the appropriate corrective measures.

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

Internal Audit Function

The Board remains committed towards continuous improvement and enhancement of its internal controls to ensure that there is increased certainty of the achievement of business objectives, thus enhancing the shareholders' value.

The Group has outsourced its Internal Audit function to an independent accounting firm, which reports directly to the Audit Committee. The internal audit was carried out based on the Internal Audit plan that was reviewed by the Audit Committee and approved by the Board of Directors.

The Group has an in-house internal audit team with relevant experience and education to ensure the internal control of the operations in Sabah and Indonesia is in place. The in-house internal audit team also reports directly to the Audit Committee.

The amount of internal audit fees payable to the internal auditors for the year is RM80,220.

The risk based internal audit approach has examined, evaluated and ensured compliance with the Group's policies, procedures and system of controls. It has also evaluated the effectiveness of the internal control system and assessed the consequences of any potential risks and suggested any improvements required.

Adequacy and Effectiveness of the Group's Risk Management and Internal Control System

A number of minor internal control weaknesses were identified during the year, all of which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a disclosure in the Group's Annual Report. The board has received a statement of assurance from the Group Managing Director and Chief Financial Officer of the Company that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on risk management and internal control system of the Company. The board confirms that its system of risk management and internal control was operational throughout the financial year and up to the date of approval of the Annual Report.

Review of Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the year ended 31 December 2018 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal controls within the Group.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 22 April 2019.

Contents

Financial Statements

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 19 to the financial statements.

Results

	Group RM'000	Company RM'000
Loss net of tax	(64,104)	(59,923)
Loss attributable to:		
Equity holders of the parent	(48,229)	(59,923)
Non-controlling interests	(15,875)	-
	(64,104)	(59,923)

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

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

Dividends

The amounts of dividends paid by the Company since 31 December 2017 were as follows:

	RM'000
In respect of the financial year ended 31 December 2017 as reported in the Directors' report of that financial year:	
Final single-tier dividend of 1 sen per ordinary share, on 116,874,800 ordinary shares (excluding 3,125,200 treasury shares), approved by the shareholders at the Annual General Meeting on 25 May 2018 and paid on 21 August 2018	1,169

The Directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2018.

DIRECTORS' REPORT (cont'd)

Directors

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

Datuk Loo Ngin Kong*
Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood
Dato' Loo Pang Kee*
Wong Siew Ying*
Lim Ted Hing
Dr. Edmond Fernandez
Tan Sri Dato' Sri Koh Kin Lip, *JP*
Tan Vun Su*

* These Directors are also Directors of certain subsidiaries of the Company.

Directors of the Company's subsidiaries

The names of the Directors of the Company's subsidiaries since the beginning of the financial year to the date of this report, excluding those who are already the Directors of the Company, are:

Chai Chih Kai
Dion Satiyesa Soetadi
Drs. Indarto
Driya Amandita
Herdiyanto, ST
Husin Assegaf
Lim Chau Thye @ Lim Yoke Moi
Loo Ban Teng
Pieter Victor
Sunamo, B.Sc, S.Sos
Tonny Fathoni Sutedja
Yung Tze Moi

Directors' benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 32 to the financial statements.

DIRECTORS' REPORT (cont'd)

Directors' benefits (cont'd)

The Directors' benefits are as follows:

	Group RM'000	Company RM'000
Salaries and other emoluments	3,466	2,650
Fees	188	80
Bonus	159	159
Defined contribution plan	840	465
Estimated money value of benefits-in-kind	69	59
	4,722	3,413

Directors' interests

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

	Number of ordinary shares			
The Company	**1 January 2018**	**Acquired**	**Sold**	**31 December 2018**
Direct Interest:				
Datuk Loo Ngin Kong	4,166,724	-	-	4,166,724
Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood	1	-	-	1
Dato' Loo Pang Kee	12,945,406	-	-	12,945,406
Wong Siew Ying	2,471,284	-	-	2,471,284
Lim Ted Hing	804,000	-	-	804,000
Dr. Edmond Fernandez	150,000	-	-	150,000
Tan Sri Dato' Sri Koh Kin Lip, *JP*	19,783,344	-	-	19,783,344
Tan Vun Su	1	-	-	1
Indirect interest:				
Dato' Loo Pang Kee	38,400,000	-	-	38,400,000
Tan Sri Dato' Sri Koh Kin Lip, *JP*	2,817,350	-	-	2,817,350
Indirect interest of Datuk Loo Ngin Kong and Wong Siew Ying in the Company by virtue of shareholdings of their children	4,919,000	-	-	4,919,000
Indirect interest of Tan Sri Dato' Sri Koh Kin Lip, *JP* in the Company by virtue of shareholding of his child shareholdings of their children	70,000	-	-	70,000

The Directors, Datuk Loo Ngin Kong, Dato' Loo Pang Kee, Tan Sri Dato' Sri Koh Kin Lip, *JP* and Wong Siew Ying by virtue of their interests in shares in the Company, are also deemed interested in shares of all of the Company's subsidiaries to the extent the Company has an interest.

DIRECTORS' REPORT (cont'd)

Treasury shares

During the financial year, the Company repurchased 16,900 of its issued ordinary shares from the open market at an average price of RM1.96 per share. The total consideration paid for the repurchase including transaction costs was RM33,050. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

As at 31 December 2018, the Company held as treasury shares a total 3,125,200 of its 120,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM7,486,000 and further relevant details are disclosed in Note 28(b) to the financial statements.

Subsequent to 31 December 2018, the Company repurchased 12,000 of its issued ordinary shares from the open market at an average price of RM1.86 per share. The total consideration paid for the repurchase including transaction costs was RM22,400. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Company Act 2016.

Other statutory information

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

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT (cont'd)

Other statutory information (cont'd)

(f) In the opinion of the Directors:

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

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

Auditors and auditors' remuneration

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

Auditors' remuneration of the Group and of the Company for the financial year amounted to RM560,000 and RM218,000 respectively.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year ended 31 December 2018.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 April 2019.

Dato' Loo Pang Kee **Wong Siew Ying**

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

We, Dato' Loo Pang Kee and Wong Siew Ying, being two of the Directors of NPC Resources Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 53 to 157 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 April 2019.

Dato' Loo Pang Kee

Wong Siew Ying

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

I, Tan Vun Su, being the Director primarily responsible for the financial management of NPC Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 53 to 157 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Tan Vun Su at
Sandakan in the State of Sabah
on 29 April 2019

Tan Vun Su

Before me,

Ramsah Binti HJ. Mohd. Taha
No. S-029
Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NPC RESOURCES BERHAD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NPC Resources Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 157.

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 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the financial statements which indicates that the Group and the Company incurred net losses for the financial year of RM64,104,000 and RM59,923,000 respectively and as of that date, their current liabilities exceeded their current assets by RM466,153,000 and RM543,048,000 (2017: RM258,467,000 and RM400,424,000) respectively. These conditions, along with other matters as set forth in Note 2.1 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's and on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NPC RESOURCES BERHAD (cont'd)

Report on the audit of the financial statements (cont'd)

Impairment assessment of property, plant and equipment, land use rights and goodwill of the Group's Indonesia entities

As at 31 December 2018, the carrying value of property, plant and equipment, land use rights and goodwill in relation to the Group's Indonesia entities is RM588,108,000, representing approximately 65% of the total non-current assets of the Group.

The Group assessed that there was an indication of impairment on the property, plant and equipment, land use rights and goodwill of the Indonesia entities as the Indonesia entities are in loss making positions and oil palm industry faced a challenging year in 2018 with lower prices for palm oil products. Accordingly, the Group performed an impairment assessment to determine the recoverable amount of the cash generating unit ("CGU") relating to non-current assets of the Indonesia entities. This involves comparing the recoverable amount of the related CGU to the carrying amount of non-current assets.

We identified the impairment assessment as an area of focus as the impairment assessment is complex and highly judgemental and the carrying amount of the property, plant and equipment, land use rights and goodwill held by the Group's Indonesia entities is significant to the Group. It involves assessment of possible variations in the amounts and timing of future cash flows based on assumptions affected by future market and economic conditions. Judgement is also applied in determining an appropriate discount rate to determine the present value of future cash flows.

In addressing this area of audit focus, we performed, amongst others, the following procedures:

1) we obtained an understanding of the methodology adopted by the management in estimating the value-in-use calculation and assessed whether such methodology is consistent with those used in the industry;

2) we assessed the key assumptions used, focusing on projected yield and commodity prices, taking into consideration the current and expected future economic conditions. We compared the key assumptions against past actual outcomes;

3) we assessed the discount rate used and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset;

4) we assessed the sensitivity of the cash flows to changes in the discount rates and key assumptions; and

5) we evaluated the disclosures of the key assumptions on which the Group has based in its cash flow projections. Key assumptions are those to which the unit's recoverable amount is most sensitive and are disclosed in Note 18(a) to the financial statements.

The Group's accounting policies and disclosures on impairment assessment of non-current assets are disclosed in Notes 2.14, 3(d) and 18(a) respectively to the financial statements.

Impairment assessment of interests in Indonesia subsidiaries (Parent Company only)

As at 31 December 2018, the carrying value of interests in the Indonesia subsidiaries is RM437,164,000, representing approximately 64% of the total assets of the Company.

The Company assessed that there was an indication of impairment in relation to the interest in Indonesia entities as the entities were loss making and the oil palm industry faced a challenging year in 2018 with lower prices for palm oil products. Accordingly, the Company performed an impairment assessment to determine the recoverable amount of its interests in the Indonesia subsidiaries.

We identified the impairment assessment as an area of focus as the impairment assessment is complex and highly judgemental and the carrying amount of interests in subsidiaries is significant to the Company. It involves assessment of possible variations in the amounts and timing of future cash flows based on assumptions affected by future market and economic conditions. Judgement is also applied in determining an appropriate discount rate to determine the present value of future cash flows.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NPC RESOURCES BERHAD (cont'd)

Report on the audit of the financial statements (cont'd)

Impairment assessment of interests in Indonesia subsidiaries (Parent Company only) (cont'd)

In addressing this area of audit focus, we performed, amongst others, the following procedures:

1) we obtained an understanding of the methodology adopted by the management in estimating the recoverable amount;

2) we assessed the key assumptions used, focusing on projected yield and commodity prices, taking into consideration the current and expected future economic conditions. We compared the key assumptions against past actual outcomes;

3) we assessed the discount rate used and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset;

4) we assessed the sensitivity of the cash flows to changes in the discount rates and key assumptions; and

5) we evaluated the disclosures of the key assumptions on which the Company has based in its cash flow projections. Key assumptions are those to which the unit's recoverable amount is most sensitive and are disclosed in Note 18(a) to the financial statements.

The Group's accounting policies and disclosures on Impairment assessment of interests in subsidiaries of are disclosed in Notes 2.14, 3(d), 18(a) and 19 respectively to the financial statements.

Information other than the financial statements and auditors' report thereon

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

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

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

If, based on the work we have performed on the Directors' report that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this Directors' report, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the Directors for the financial statements

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NPC RESOURCES BERHAD (cont'd)

Report on the audit of the financial statements (cont'd)

Responsibilities of the Directors for the financial statements (cont'd)

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NPC RESOURCES BERHAD (cont'd)

Report on the audit of the financial statements (cont'd)

Auditor's responsibilities for the audit of the financial statements (cont'd)

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

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

From the matters communicated with the Directors, we determine those matters that were of most signficance 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 19 to the financial statements.

Other matters

(1) As stated in Note 2.2 to the financial statements, NPC Resources Berhad adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, 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 ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2018 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the financial year then ended.

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

Ernst & Young
AF: 0039
Chartered Accountants

Tseu Tet Khong @ Tsau Tet Khong
No. 03374/06/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
29 April 2019

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	4	228,369	246,977	7,302	17,940
Cost of sales		(227,339)	(233,913)	-	-
Gross profit		1,030	13,064	7,302	17,940
Interest income	5	5,479	5,919	25,941	30,133
Other income	6	3,122	47,927	3	20,078
Administrative expenses		(21,054)	(16,721)	(7,365)	(7,604)
Finance costs	7	(16,988)	(12,026)	(15,862)	(14,773)
Other expenses		(21,815)	(18,038)	(69,683)	(38,653)
(Loss)/profit before tax	8	(50,226)	20,125	(59,664)	7,121
Income tax expense	11	(13,878)	(6,160)	(259)	(2,369)
(Loss)/profit for the financial year		(64,104)	13,965	(59,923)	4,752
Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain on employee defined benefit liabilities	26	326	104	-	-
Tax impact arising from remeasurement		(77)	-	-	-
Foreign currency translation		(9,943)	(32,553)	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(9,694)	(32,449)	-	-
Total comprehensive loss for the financial year		(73,798)	(18,484)	(59,923)	4,752
(Loss)/profit attributable to:					
Equity holders of the parent		(48,229)	21,020	(59,923)	4,752
Non-controlling interests		(15,875)	(7,055)	-	-
		(64,104)	13,965	(59,923)	4,752
Total comprehensive (loss)/ income attributable to:					
Equity holders of the parent		(58,971)	(13,892)	(59,923)	4,752
Non-controlling interests		(14,827)	(4,592)	-	-
		(73,798)	(18,484)	(59,923)	4,752
(Loss)/earnings per share attributable to equity holders of the parent:					
Basic (loss)/earnings per share for the financial year (sen)	12	(41.26)	17.95		

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	773,713	785,019	551,203
Investment property	15	1,044	1,057	1,097
Land use rights	16	63,461	63,119	30,492
Intangible assets	18	32,456	32,520	4,932
Investment securities		-	-	1,759
Other receivables	21	37,692	35,633	145,325
Deferred tax assets	27	1,317	1,502	382
		909,683	918,850	735,190
Current assets				
Inventories	20	21,110	22,445	16,366
Biological assets	17	2,228	3,143	3,414
Trade and other receivables	21	22,348	26,136	23,138
Prepayments		2,476	7,992	1,548
Tax recoverable		793	1,034	1,318
Cash and bank balances	22	12,443	15,885	14,723
		61,398	76,635	60,507
Assets of disposal group classified as held for sale	23	-	-	26,524
		61,398	76,635	87,031
Total assets		971,081	995,485	822,221

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 (cont'd)

	Note	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000
Equity and liabilities				
Current liabilities				
Loans and borrowings	24	445,134	273,127	164,703
Trade and other payables	25	81,730	59,983	44,144
Income tax payable		687	1,992	1,634
		527,551	335,102	210,481
Liabilities directly associated with disposal group classified as held for sale	23	-	-	24,418
		527,551	335,102	234,899
Net current liabilities		(466,153)	(258,467)	(147,868)
Non-current liabilities				
Loans and borrowings	24	774	144,361	182,974
Other payables	25	111,886	119,831	68,132
Employee defined benefit liabilities	26	3,754	2,918	723
Deferred tax liabilities	27	65,189	56,346	18,852
		181,603	323,456	270,681
Total liabilities		709,154	658,558	505,580
Equity attributable to equity holders of the parent				
Share capital	28	120,000	120,000	120,000
Treasury shares	28	(7,486)	(7,453)	(3,678)
Retained earnings	29	167,798	217,020	176,617
Foreign currency translation reserve	30	(17,717)	(6,799)	28,194
		262,595	322,768	321,133
Non-controlling interests		(668)	14,159	(4,492)
Total equity		261,927	336,927	316,641
Total equity and liabilities		971,081	995,485	822,221

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

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Assets				
Non-current assets				
Property, plant and equipment	14	815	744	769
Investments in subsidiaries	19	675,083	710,984	686,525
Other receivables		-	-	48,934
		675,898	711,728	736,228
Current assets				
Trade and other receivables	21	50	541	93
Prepayments		50	25	737
Tax recoverable		54	83	619
Cash and bank balances	22	4,807	5,828	7,374
		4,961	6,477	8,823
Non-current assets held for sale		-	-	14,397
		4,961	6,477	23,220
Total assets		680,859	718,205	759,448
Equity and liabilities				
Current liabilities				
Loans and borrowings	24	257,498	134,459	116,655
Trade and other payables	25	290,511	272,442	298,197
		548,009	406,901	414,852
Net current liabilities		(543,048)	(400,424)	(391,632)
Non-current liabilities				
Loans and borrowings	24	-	117,324	150,417
Deferred tax liabilities	27	42	47	54
		42	117,371	150,471
Total liabilities		548,051	524,272	565,323
Equity attributable to owners of the parent				
Share capital	28	120,000	120,000	120,000
Treasury shares	28	(7,486)	(7,453)	(3,678)
Retained earnings	29	20,294	81,386	77,803
Total equity		132,808	193,933	194,125
Total equity and liabilities		680,859	718,205	759,448

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

	Note	← Attributable to equity holders of the parent →						
		← Non-distributable →			Distributable			
	Note	Share capital (Note 28) RM'000	Treasury shares (Note 28) RM'000	Foreign currency translation reserve (Note 30) RM'000	Retained earnings (Note 29) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018								
- As previously reported		120,000	(7,453)	(7,498)	301,551	406,600	28,248	434,848
- Effects of changes in accounting Standards	2.2	-	-	699	(72,909)	(72,210)	(10,135)	(82,345)
- Effects of finalisation of purchase price allocation	36	-	-	-	(11,622)	(11,622)	(3,954)	(15,576)
		120,000	(7,453)	(6,799)	217,020	322,768	14,159	336,927
Loss for the financial year		-	-	-	(48,229)	(48,229)	(15,875)	(64,104)
Other comprehensive (loss)/income		-	-	(10,918)	176	(10,742)	1,048	(9,694)
Total comprehensive loss for the financial year		-	-	(10,918)	(48,053)	(58,971)	(14,827)	(73,798)
Transactions with owners								
Dividend	13	-	-	-	(1,169)	(1,169)	-	(1,169)
Purchase of treasury shares	28	-	(33)	-	-	(33)	-	(33)
		-	(33)	-	(1,169)	(1,202)	-	(1,202)
At 31 December 2018		120,000	(7,486)	(17,717)	167,798	262,595	(668)	261,927

		← Attributable to equity holders of the parent →						
		← Non-distributable →			Distributable			
	Note	Share capital (Note 28) RM'000	Treasury shares (Note 28) RM'000	Foreign currency translation reserve (Note 30) RM'000	Retained earnings (Note 29) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018								
- As previously reported		120,000	(3,678)	28,292	226,873	371,487	1,904	373,391
- Effects of changes in accounting Standards	2.2	-	-	(98)	(50,256)	(50,354)	(6,396)	(56,750)
		120,000	(3,678)	28,194	176,617	321,133	(4,492)	316,641
Profit for the financial year		-	-	-	21,020	21,020	(7,055)	13,965
Other comprehensive (loss)/income		-	-	(34,993)	81	(34,912)	2,463	(32,449)
Total comprehensive (loss)/ income for the financial year		-	-	(34,993)	21,101	(13,892)	(4,592)	(18,484)
Transactions with owners								
Non-controlling interest arising on a business acquisition	19	-	-	-	-	-	12,082	12,082
Dilution of existing subsidiaries	19	-	-	-	20,471	20,471	11,161	31,632
Dividends	13	-	-	-	(1,169)	(1,169)	-	(1,169)
Purchase of treasury shares	28	-	(3,775)	-	-	(3,775)	-	(3,775)
		-	(3,775)	-	19,302	15,527	23,243	38,770
At 31 December 2017		120,000	(7,453)	(6,799)	217,020	322,768	14,159	336,927

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

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Non-Distributable Share capital (Note 28) RM'000	Non-Distributable Treasury shares (Note 28) RM'000	Distributable Retained profits (Note 29) RM'000	Total equity RM'000
At 1 January 2018		120,000	(7,453)	81,386	193,933
Total comprehensive loss		-	-	(59,923)	(59,923)
		120,000	(7,453)	21,463	134,010
Transactions with owners					
Dividends	13	-	-	(1,169)	(1,169)
Purchase of treasury shares	28	-	(33)	-	(33)
		-	(33)	(1,169)	(1,202)
At 31 December 2018		120,000	(7,486)	20,294	132,808
At 1 January 2017		120,000	(3,678)	77,803	194,125
Total comprehensive income		-	-	4,752	4,752
		120,000	(3,678)	82,555	198,877
Transactions with owners					
Dividends	13	-	-	(1,169)	(1,169)
Purchase of treasury shares	28	-	(3,775)	-	(3,775)
		-	(3,775)	(1,169)	(4,944)
At 31 December 2017		120,000	(7,453)	81,386	193,933

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 RM'000	2017 RM'000
Operating activities		
(Loss)/profit before tax	(50,226)	20,125
Adjustments for:		
Interest income	(5,479)	(5,919)
Allowance for expected credit losses on other receivables		
- current	286	72
- non-current	817	2,899
Employee defined benefits liabilities	1,275	1,451
Property, plant and equipment written off	440	874
Gain on disposal of property, plant and equipment	(171)	(11,188)
Loss on disposal of property, plant and equipment	-	18
Gain on disposal of a subsidiary	-	(23,464)
Finance costs	16,988	12,026
Fair value changes of biological assets	915	271
Amortisation of land use rights	1,565	790
Depreciation of property, plant and equipment	35,471	27,398
Depreciation of investment property	13	40
Net unrealised loss/(gain) on foreign exchange	13,403	(6,343)
Operating profit before changes in working capital	15,297	19,050
Changes in working capital:		
Inventories	1,335	(2,010)
Trade and other receivables	17,772	42,575
Prepayments	5,516	(6,444)
Trade and other payables	6,812	6,726
Cash flows generated from operations	46,732	59,897
Interest received	3,207	5,466
Income taxes paid	(5,789)	(8,252)
Interest paid	(32,607)	(27,792)
Net cash flows generated from operating activities	11,543	29,319
Investing activities		
Placement of fixed deposits	(1,148)	(2,310)
Additions in land use rights	(5,941)	(2,000)
Net cash inflow arising from business combination	-	2,870
Purchase of property, plant and equipment	(34,560)	(28,719)
Proceeds from disposal of a subsidiary	-	26,434
Proceeds from disposal of property, plant and equipment	1,009	14,948
Net cash flows (used in)/generated from investing activities	(40,640)	11,223

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

	2018 RM'000	2017 RM'000
Financing activities		
Purchase of treasury shares	(33)	(3,775)
Dividends paid	(1,169)	(1,169)
Net repayment of bank loans	(12,485)	(39,176)
Net proceeds from drawdown of revolving credits	34,213	39,010
Net proceeds from drawdown of bankers' acceptances	1,119	2,790
Repayment of hire purchase liabilities	(754)	(1,279)
Net cash flows generated from/(used in) financing activities	20,891	(3,599)
Net (decrease)/increase in cash and cash equivalents	(8,206)	36,943
Effect of exchange rate changes	2,066	(33,408)
Cash and cash equivalents at the beginning of financial year	9,721	6,186
Cash and cash equivalents at the end of financial year (Note 22)	3,581	9,721

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

COMPANY STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 RM'000	2017 RM'000
Operating activities		
(Loss)/Profit before tax	(59,664)	7,121
Adjustments for:		
Interest income	(25,941)	(30,133)
Gain on disposal of a subsidiary	-	(20,078)
Impairment of amounts due from subsidiaries	52,653	-
Interest expense	15,862	14,773
Depreciation of property, plant and equipment	72	77
Net unrealised loss on foreign exchange	16,145	38,653
Operating (loss)/profit before changes in working capital	(873)	10,413
Changes in working capital:		
Trade and other receivables	491	(448)
Prepayments	(25)	712
Trade and other payables	9	(3,562)
Cash flows from operations	(398)	7,115
Interest received	25,941	30,133
Interest paid	(15,995)	(14,640)
Taxes paid	(235)	(1,840)
Net cash flows generated from operating activities	9,313	20,768
Investing activities		
Purchase of property, plant and equipment	(143)	(52)
Proceeds from disposal of a subsidiary	-	34,475
Net cash flows (used in)/generated from investing activities	(143)	34,423
Financing activities		
Net repayments of amounts due to subsidiaries	(12,893)	(44,470)
Purchase of treasury shares	(33)	(3,775)
Dividends paid	(1,169)	(1,169)
Net repayment of bank loans	(7,050)	(34,432)
Net drawdown of revolving credits	10,000	27,295
Net cash flows used in financing activities	(11,145)	(56,551)
Net decrease in cash and cash equivalents	(1,975)	(1,360)
Effect of exchange rate changes	(41)	(186)
Cash and cash equivalents at the beginning of financial year	5,828	7,374
Cash and cash equivalents at the end of financial year (Note 22)	3,812	5,828

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. Corporate information

NPC 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 Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 19.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 April 2019.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

For the financial year ended 31 December 2018, the Group and the Company incurred net loss for the year of RM64,104,000 and RM59,923,000 respectively and as of that date, their current liabilities exceeded their current assets by RM466,153,000 and RM543,048,000 (2017: RM258,467,000 and RM400,424,000) respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The ability of the Group and of the Company to continue as a going concern is dependent on the ability of the Group and of the Company to roll over the existing credit facilities, and their ability to achieve future profitable operations. The Directors are confident that they are able to obtain continuing support from its lenders to roll over the Group's and the Company's existing credit facilities, that the Group and the Company are able to achieve future profitable operations and when necessary to dispose of certain non-current assets of the Group. On this basis, the financial statements of the Group and of the Company have been prepared on a going concern basis.

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9: Financial Instruments, MFRS: 15 Revenue from Contracts with Customers and MFRS 141: Agriculture. Subject to certain transition elections as disclosed in Note 2.2, the Group and the Company have consistently applied the same accounting policies in their opening MFRS statements of financial position as at 1 January 2017, being the transition date, and throughout all years presented, as if these policies had always been in effect. The impact of the transition to MFRS on the Group's and the Company's reported financial position, financial performance and cash flows, are disclosed in Note 2.2.

The financial statements have been prepared on the historical cost basis except otherwise disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.2 First-time adoption of Malaysian Financial Reporting Standards

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 are the first sets of the financial statements prepared in accordance with MFRSs.

Accordingly, the Group and the Company have prepared financial statements that comply with MFRS applicable as at 31 December 2018, together with the comparative period data for the financial year ended 31 December 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's and the Company's opening statement of financial position was prepared as at 1 January 2017, the Group's and the Company's date of transition to MFRS. This note explains the principal adjustments made by the Group and by the Company in restating their Financial Reporting Standards ("FRS") financial statements, including the statements of financial position as at 1 January 2017 and the financial statements for the financial year ended 31 December 2017.

The effect of the Group's and of the Company's transition to MFRSs are as follows:

(i) Upon adoption of MFRS 141, biological assets/bearer plants are within the scope of MFRS 16: Property, Plant and Equipment and the Group will measure the bearer plants using the cost model. Whereas the unripe fresh fruit bunch ("FFB") on bearer plant is within the scope of MFRS 141: Agriculture. The unripe FFB will be measure at fair value less cost to sell with the changes in fair value recognised in profit or loss and will be classified as current assets as the unripe FFB will be harvested within a year from the reporting date.

Prior to adoption of MFRS 141, bearer plants were measured using the capital maintenance method and are not amortised. Replanting expenditure are recognised in profit or loss in the year in which the expenditure are incurred. Under MFRS 141, the costs of bearer plants will be amortised over the life of the bearer plants. Any replanting expenditure will be capitalised and amortised.

(ii) The key effect as a result of adopting MFRS 15: Revenue from Contracts with Customers requires that expenses attributable to securing contracts with customers such as outbound logistic and sales tax to be incurred in relation to satisfying the performance obligation and is presented as cost of sales in the financial statements. In relation to that, outbound logistic costs and sales tax presented previously under marketing and distribution expenses is now presented under cost of sales.

(iii) MFRS 9: Financial Instruments replaces MFRS 139: Financial Instruments - Recognition and Measurement for annual periods beginning on or after 1 January 2018. The Group applied MFRS 9: Financial Instruments retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017.

(iv) The Group elected to apply the optional exemption not to restate the borrowing cost component that was capitalised under FRS and that was included in the carrying amount of assets on the date of transition 1 January 2017.

(v) The classification of certain item in the comparative information is changed in conformity with current period presentation and classification.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

The effects of transition of MFRS on the financial statements of the Group are as follows:

(a) Reconciliation of consolidated statement of comprehensive income for the financial year ended 31 December 2017

	For the financial year ended 31.12.2017 Under FRS RM'000		Effect of transition to MFRS RM'000	For the financial year ended 31.12.2017 Under MFRS RM'000
Revenue	246,977			246,977
Cost of sales	(205,596)	(i,ii)	(28,317)	(233,913)
Gross profit	41,381			13,064
Interest income	5,466	(iii)	453	5,919
Other income	47,927			47,927
Marketing and distribution expenses	(16,881)	(ii)	16,881	-
Administrative expenses	(16,721)			(16,721)
Finance costs	(12,026)			(12,026)
Other expenses	(873)	(iii)	(17,165)	(18,038)
Profit before tax	48,273			20,125
Income tax expense	(7,883)	(i)	1,723	(6,160)
Profit for the financial year	40,390			13,965
Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax):				
Remeasurement gain/(loss) on employee defined benefit liabilities	104			104
Foreign currency translation	(33,383)	(i, iii)	830	(32,553)
Other comprehensive loss for the financial year, net of tax	(33,279)			(32,449)
Total comprehensive income/(loss) for the financial year	7,111			(18,484)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

The effects of transition of MFRS on the financial statements of the Group are as follows: (cont'd)

(b) Reconciliation of consolidated statement of financial position as at 31 December 2017

	As at 31.12.2017 Under FRS RM'000		Effect of transition to MFRS RM'000	As at 31.12.2017 Under MFRS RM'000
Assets				
Non-current assets				
Property, plant and equipment	258,285	(i)	535,879	794,164
Investment property	1,057			1,057
Land use rights	63,119			63,119
Biological assets	611,888	(i)	(611,888)	-
Intangible assets	34,942			34,942
Other receivables	65,306	(iii)	(23,378)	41,928
Deferred tax assets	1,502			1,502
	1,036,099			936,712
Current assets				
Inventories	22,445			22,445
Biological assets	-	(i)	3,143	3,143
Trade and other receivables	26,136			26,136
Prepayments	7,992			7,992
Tax recoverable	1,034			1,034
Cash and bank balances	15,885			15,885
	73,492			76,635
Total assets	1,109,591			1,013,347

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

The effects of transition of MFRS on the financial statements of the Group are as follows: (cont'd)

(b) Reconciliation of consolidated statement of financial position as at 31 December 2017 (cont'd)

	As at 31.1.2017 Under FRS RM'000		Effect of transition to MFRS RM'000	As at 31.1.2017 Under MFRS RM'000
Equity and liabilities				
Current liabilities				
Loans and borrowings	273,127			273,127
Trade and other payables	59,983			59,983
Income tax payable	1,992			1,992
	335,102			335,102
Net current liabilities	(261,610)			(258,467)
Non-current liabilities				
Loans and borrowings	144,361			144,361
Other payables	119,831			119,831
Employee defined benefit liabilities	2,918			2,918
Deferred tax liabilities	72,531	(i)	(13,899)	58,632
	339,641			325,742
Total liabilities	674,743			660,844
Equity attributable to equity holders of the parent				
Share capital	120,000			120,000
Treasury shares	(7,453)			(7,453)
Retained earnings	301,551	(i, iii)	(72,909)	228,642
Foreign currency translation reserve	(7,498)	(i, iii)	699	(6,799)
	406,600			334,390
Non-controlling interests	28,248	(i, iii)	(10,135)	18,113
Total equity	434,848			352,503
Total equity and liabilities	1,109,591			1,013,347

* The effects arising from the finalisation of purchase price allocation on a business combination in the previous financial year are disclosed in Note 36.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

The effects of transition of MFRS on the financial statements of the Group are as follows: (cont'd)

(c) Reconciliation of consolidated statement of financial position as at 1 January 2017

	As at 1.1.2017 Under FRS RM'000		Effect of transition to MFRS RM'000	As at 1.1.2017 Under MFRS RM'000
Assets				
Non-current assets				
Property, plant and equipment	264,161	(i)	287,042	551,203
Investment property	1,097			1,097
Land use rights	30,492			30,492
Biological assets	352,716	(i)	(352,716)	-
Intangible assets	4,932			4,932
Investment securities	1,759			1,759
Other receivables	151,991	(iii)	(6,666)	145,325
Deferred tax assets	382			382
	807,530			735,190
Current assets				
Inventories	16,366			16,366
Biological assets	-	(i)	3,414	3,414
Trade and other receivables	23,138			23,138
Prepayments	1,548			1,548
Tax recoverable	1,318			1,318
Cash and bank balances	14,723			14,723
	57,093			60,507
Assets of disposal group classified as held for sale	26,524			26,524
	83,617			87,031
Total assets	891,147			822,221

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

The effects of transition of MFRS on the financial statements of the Group are as follows: (cont'd)

(c) Reconciliation of consolidated statement of financial position as at 1 January 2017 (cont'd)

	As at 1.1.2017 Under FRS RM'000		Effect of transition to MFRS RM'000	As at 1.1.2017 Under MFRS RM'000
Equity and liabilities				
Current liabilities				
Loans and borrowings	164,703			164,703
Trade and other payables	44,144			44,144
Income tax payable	1,634			1,634
	210,481			210,481
Liabilities directly associated with disposal group classified as held for sale	24,418			24,418
	234,899			234,899
Net current liabilities	(151,282)			(147,868)
Non-current liabilities				
Loans and borrowings	182,974			182,974
Other payables	68,132			68,132
Employee defined benefit liabilities	723			723
Deferred tax liabilities	31,028	(i)	(12,176)	18,852
	282,857			270,681
Total liabilities	517,756			505,580
Equity attributable to equity holders of the parent				
Share capital	120,000			120,000
Treasury shares	(3,678)			(3,678)
Retained earnings	226,873	(i, iii)	(50,256)	176,617
Foreign currency translation reserve	28,292	(i, iii)	(98)	28,194
	371,487			321,133
Non-controlling interests	1,904	(i, iii)	(6,396)	(4,492)
Total equity	373,391			316,641
Total equity and liabilities	891,147			822,221

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.3 Standards and interpretation issued but not yet effective

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

Description	Effective for annual periods beginning on or after
• MFRS 9 Prepayment Features with Negative Compensation *(Amendments to MFRS 9)*	1 January 2019
• MFRS 16 Leases	1 January 2019
• MFRS 128 Long-term Interests in Associates and Joint Venture *(Amendments to MFRS 128)*	1 January 2019
• Annual Improvements to MFRS Standards 2015 - 2017 cycle	1 January 2019
• MFRS 119 Plan Amendment, Curtailment or Settlement *(Amendments to MFRS 119)*	1 January 2019
• IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
• MFRS 3 Business Combinations *(Amendments to MFRS 3)*	1 January 2020
• MFRS 101 Definition of Material *(Amendments to MFRS 101)*	1 January 2020
• MFRS 108 Definition of Material *(Amendments to MFRS 108)*	1 January 2020
• Revised Conceptual Framework for Financial Reporting	1 January 2020
• 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 Directors expect that the adoption of the above standards and interpretation will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.3 **Standards and interpretation issued but not yet effective** (cont'd)

MFRS 16 Leases (cont'd)

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group plans to adopt MFRS 16 prospectively, with an initial application date of 1 January 2019. The Group will not restate the comparative information, which continues to be reported under MFRS 117. Differences arising from the adoption of MFRS 16 will be recognised directly in retained earnings and other components of equity.

For finance leases where the Group is a lessee, the Group has already recognised an asset and a related finance lease liability for such lease arrangements. Accordingly, for such lease arrangements, the Group does not anticipate the application of MFRS 16 to have a significant impact on the Group's financial statements.

2.4 **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.4 Basis of consolidation (cont'd)

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

(i) the contractual arrangements with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

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

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

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

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

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date's fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration will be recognised in in profit or loss. However, if the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.4 Basis of consolidation (cont'd)

Business combinations (cont'd)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

The accounting policy for goodwill is set out in Note 2.10.

2.5 Subsidiaries

A subsidiary is an entity over which the Group has all the following:
(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

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

2.6 Transactions with non-controlling interest

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

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

2.7 Foreign currency

(a) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.7 Foreign currency (cont'd)

(b) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in OCI and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to OCI. On disposal of a foreign operation, the cumulative amount recognised in OCI and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.8 Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.8 Property, plant and equipment (cont'd)

Long term leasehold land and its related plantation and fishery infrastructure development expenditure are amortised over shorter of the estimate useful life and the respective leases which range from 70 years to 907 years.

Capital work-in-progress is not depreciated as these assets are not yet available for use.

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:

Buildings	2% - 15%
Mill structure	5%
Bearer plants	4.55%
Oil mill and estate plant and machinery	8% - 20%
Heavy equipment and motor vehicles	8% - 20%
Furniture, fittings and equipment	10% - 20%
Platforms, net cages and water tanks	10% - 20%
Hotel and office renovations	2% - 10%
Hotel plant and machinery	10% - 20%

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

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

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

2.9 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs less accumulated depreciation and any accumulated impairment losses.

Leasehold land is amortised over the lease period of 30 years.

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

2.10 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.10 Intangible assets (cont'd)

Goodwill (cont'd)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.7.

2.11 Land use rights

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

2.12 Plasma receivables

The government of the Republic of Indonesia requires companies involved in plantation development to provide support to develop and cultivate oil palm lands for local communities in oil palm plantations as part of their social obligation which are known as Plasma Schemes.

The Group assumes responsibility for developing oil palm plantations to the productive stage. When the plantation is at its productive stage, it is considered to be completed and is transferred to the plasma farmers (conversion of plasma plantations). All costs incurred will be reviewed by the relevant authorities and the Group will be reimbursed for all approved costs which are financed by the Group. Conversion value refers to the value reimbursed to the Group upon conversion of the plasma plantations.

The plasma farmers sell all harvest to the Group at a price determined by the Government, which approximates the market price. Part of the proceeds will be distributed to the plasma farmers with the residual retained by the Group as payment for all approved cost financed by the Group.

Accumulated development costs net of reimbursements are presented in the statement of financial position. Any difference between the accumulated development costs of plasma plantations and their conversion value is charged to profit or loss.

Plasma receivables are classified as financial assets carried at amortised cost under MFRS 9. The accounting policy for financial instruments is set out in Note 2.15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.13 Biological assets

Biological assets comprise the produce growing on bearer plants. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for bearer plants that are expected to be harvested on a date not more than 12 months.

2.14 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

2.15 Financial instruments - initial recognition and subsequent measurement

(i) Initial recognition and measurement

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

A financial instrument is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs. However, a trade receivable without a significant financing component is initially measured at the transaction price.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.15 Financial instruments - initial recognition and subsequent measurement (cont'd)

(ii) Categories of financial instruments and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequently unless there is a change in the business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised costs

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method and are subject to impairment. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(b) FVOCI – debt securities

A debt security is measured at fair value through OCI ("FVOCI") if it is held within a business model with the objective of not holding to collect contractual cash flows and selling; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as at fair value through profit or loss ("FVTPL").

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(c) FVOCI – equity securities

For an equity investment that is not held for trading, the Group or the Company may irrevocably elect to subsequently measure the equity securities at FVOCI on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.15 Financial instruments - initial recognition and subsequent measurement (cont'd)

(ii) Categories of financial instruments and subsequent measurement (cont'd)

Financial assets (cont'd)

(d) Fair value through profit or loss

All financial assets not classified and measured at amortised costs or FVOCI are measured at FVTPL. On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gain or losses, including any interest or dividend income, are recognised in profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment.

Impairment of financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost.

The Group and the Company measure loss allowances on debt securities at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, other debt securities for which credit risk has not increased significantly since initial recognition, which are measured as 12 month expected credit loss.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.15 Financial instruments - initial recognition and subsequent measurement (cont'd)

(ii) Categories of financial instruments and subsequent measurement (cont'd)

Financial assets (cont'd)

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

Financial liabilities

The categories of financial liabilities, classified at initial recognition are as follows:

(a) Fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group or the Company that do not meet the hedge accounting criteria.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense recognised in profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the amount of change in fair value of the financial liability that is attributable to change in credit risk are recognised in the OCI and the remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the credit risk of the liabiity would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received is recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.15 Financial instruments - initial recognition and subsequent measurement (cont'd)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees issued are initially measured at fair value, net of transaction costs. Subsequently, they are measured at the higher of the amount of the loss allowance; and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with MFRS 15.

2.16 Cash and cash equivalents

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

2.17 Inventories

Inventories are stated at lower of cost and net realisable value.

Cost of crude palm oil, palm kernel and milled oil palm produce are determined on the first in, first out method. The cost comprises direct material cost, direct labour cost, other direct charges and an appropriate proportion of factory overheads.

Cost of fresh fruit bunches, consumable stores, culverts, food, beverages, tobacco and operating supplies are determined on the weighted average cost method. The cost comprises the actual cost of purchases and expenses in bringing them into stores.

Cost of oil palm nurseries is determined using the weighted average cost method. The cost comprises the actual cost of seedlings and upkeep expenses.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.18 Provisions

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

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

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.20 Employee benefits

(a) Short term benefits

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

(b) Post-employment benefits

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefit plans are either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually dependent on one or more factors such as age, years of service or compensation.

(i) Defined contribution plans

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.20 Employee benefits (cont'd)

(b) Post-employment benefits (cont'd)

(ii) Defined benefits plans

The Indonesian subsidiaries of the Group recognise employee benefits liability based on the provisions of Labor Law No. 13/2003 dated March 25, 2003 in Indonesia.

The cost of providing benefits under the defined benefits plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling are recognised immediately in the statements of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurement are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or assets. The Group recognises the following changes in employee benefits under 'cost of sales' and 'administration expenses' in the statements of comprehensive income (by function) or capitalised under bearer plants in accordance with Note 2.8:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-rounding settlements; and

- Net interest expense or income.

2.21 Leases

(a) As lessee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.21 Leases (cont'd)

(b) As lessor

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.22 Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and services tax or sales and services tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. The Group recognises revenue from contracts with customers for the provision of services and sale of goods based on the five-step model as set out below:

(a) Identify contract with a customer

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(b) Identify performance obligations in the contract

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(c) Determine the transaction price

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Generally, the Group receives short-term advances from its customers. Using the practical expedient in MFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.22 Revenue from contracts with customers (cont'd)

(d) Allocate the transaction price to the performance obligation in the contract

For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(e) Recognise revenue when (or as) the Group satisfies a performance obligation

The Group satisfies a performance obligation and recognise revenue over time if the Group's performance:

(i) Do not create an asset with an alternative use to the Group and has an enforceable right to payment for performance obligation completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions are met, revenue is recognised over time at which the performance obligation is satisfied.

For performance obligations that the Group satisfies over time, the Group determined that the input method is the best method in measuring progress of the services because there is direct relationship between the Group's effort and the transfer of service to the customer.

(a) Sales of plantation produce

The Group's revenue from Plantation segment is derived mainly from agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB"), palm kernel ("PK") and empty fruit bunches oil.

Revenue from sales of agricultural produce is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer.

The transaction price is allocated to each performance obligation based on the standalone selling price of the goods.

There is no element of financing present as the Group's sale of goods are either on cash terms (immediate payments or advance payment not exceeding 30 days); or on credit terms of up to 30 days.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.22 Revenue from contracts with customers (cont'd)

(b) Management income

Revenue from management services is recognised when services are rendered.

(c) Dividend income

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

(d) Revenue from hotel operations

Revenue from room sales, sale of food and beverage are recognised net of sales taxes and discounts on an accrual basis at the point in time when control of the goods or services has transferred to the customer.

(e) Sundry sales

Revenue from usage of telephone, laundry and other related services is recognised upon the rendering of services, net of taxes.

(f) Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

(g) Interest income

Interest income is recognised on a time proportion basis.

2.23 Taxes

(a) Current tax

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

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

(b) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

(c) Goods and Services Tax ("GST") and Value Added Tax ("VAT")

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.23 Taxes (cont'd)

(d) Sales and Services Tax ("SST")

When SST is incurred, SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

Whereas, revenue is recognised net of the amount of SST billed as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statements of financial position.

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Share capital and share issuance expenses

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

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

2.26 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.27 Non-current assets and disposal groups classified as held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through sales rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and subsequent gains or losses on remeasurement are recognised in profit or loss. Costs to sell are the incremental costs directly attributable to the sales, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sales will be made or that the sales will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

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

2.27 Non-current assets and disposal groups classified as held for sale (cont'd)

Property, plant and equipment, investment properties and land use right are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current assets and liabilities in the statements of financial position.

2.28 Current versus non-current classification

The Group and the Company present assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when:

(i) It is expected to be realised or intended to be sold or consumed in the normal operating cycle;

(ii) Held primarily for the purpose of trading;

(iii) Expected to be realised within twelve months after the reporting period; or

(iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classify all other liabilities as non-current.

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

2.29 Fair value measurement

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

(i) in the principal market for the asset or liability; or

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

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

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

2.29 Fair value measurement (cont'd)

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

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

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

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

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

3. Significant accounting judgements and estimates

The preparation of the Group's and of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's or the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

3. Significant accounting judgements and estimates (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, key assumptions applied in the impairment testing of goodwill and sensitivity analysis to changes in the assumptions are given in Note 18.

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital and agriculture allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised deferred tax assets.

The carrying values of deferred tax assets and unrecognised deferred tax assets of the Group and of the Company at 31 December 2018 are disclosed in Note 27.

(c) Provision for expected credit losses of amounts due from subsidiaries, trade receivables and other receivables

The Group and the Company assess the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risks, the Group and the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

Where there is a significant increase in credit risk, the Group and the Company determine the lifetime expected credit losses by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or in full when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

The carrying amounts of the amounts due from subsidiaries is dislosed in Note 19 and trade and other receivables is disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

3. Significant accounting judgements and estimates

Key sources of estimation uncertainty (cont'd)

(d) Impairment of non-financial assets and interests in subsidiaries

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounting cash flow model. The cash flows are derived from management's budget and do not include restructuring activities that the Group and the Company are yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the commodity prices and the discount rate used for the discounting cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

4. Revenue

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Types of goods and services:				
Sale of:				
- crude palm oil	175,111	184,818	-	-
- palm kernel	26,703	38,102	-	-
- fresh fruit bunches	17,591	16,435	-	-
- rooms	7,197	6,050	-	-
- food and beverages	1,700	1,527	-	-
Hotel sundry sales	67	45	-	-
Dividend income from a subsidiary	-	-	-	10,383
Management fees	-	-	7,302	7,557
	228,369	246,977	7,302	17,940
Timing of revenue recognition				
At a point in time	228,369	246,977	-	10,383
Over time	-	-	7,302	7,557
	228,369	246,977	7,302	17,940

Details of segmental revenue is disclosed in Note 35.

5. Interest income

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Interest on advances to subsidiaries	-	-	25,884	30,033
Interest on advances to a related party	3,102	5,271	-	-
Interest on fixed deposits	105	192	57	100
Others	2,272	456	-	-
	5,479	5,919	25,941	30,133

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

6. Other income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gain on disposal of property, plant and equipment	171	11,188	-	-
Gain on disposal of a subsidiary (Note 19)	-	23,464	-	20,078
Realised gain on foreign exchange	3	1	3	-
Rental income	584	660	-	-
Sale of waste products	1,458	1,742	-	-
Unrealised gain on foreign exchange	-	7,749	-	-
Miscellaneous income	906	3,123	-	-
	3,122	47,927	3	20,078

7. Finance costs

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense on:				
Advances from subsidiaries	-	-	1,123	1,032
Bankers' acceptances	384	131	-	-
Bank overdrafts	395	305	66	58
Bank loans	9,386	10,928	7,753	9,095
Obligations under finance leases	114	82	-	-
Revolving credit	15,281	8,525	5,620	4,533
Amounts due to foreign subsidiaries' non-controlling interests	2,477	1,040	-	-
Advances from related companies	-	2,298	-	-
Others	4,570	4,616	1,300	55
Total interest expense	32,607	27,925	15,862	14,773
Less: Interest capitalised in bearer plants (Note 14)	(9,186)	(11,318)	-	-
Interest allocation for Plasma Scheme (Note 21)	(6,433)	(4,581)	-	-
Finance cost recognised in profit or loss	16,988	12,026	15,862	14,773

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

8. (Loss)/profit before tax

In addition to the other items disclosed elsewhere in the financial statements, the following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amortisation of land use rights (Note 16)	1,565	790	-	-
Auditors' remuneration:				
- current financial year	560	514	218	182
- underprovision in prior financial year	-	1	-	-
- other services	208	166	130	86
Depreciation of property, plant and equipment (Note 14)	35,471	27,398	72	77
Depreciation of investment property (Note 15)	13	40	-	-
Employee benefits expense (Note 9)	53,191	42,575	5,743	5,683
Non-executive Directors' remuneration	548	529	430	411
Alowance for expected credit losses on other receivables (Note 21)				
- current	286	72	-	-
- non-current	817	2,899	-	-
Lease rental of land	540	1,000	-	-
Loss on disposal of property, plant and equipment	-	18	-	-
Property, plant and equipment written off	440	874	-	-
Rental of premises	57	94	102	114
Impairment of amounts due from subsidiaries	-	-	52,653	-
Net fair value changes of biological assets (Note 17)	915	271	-	-
Unrealised loss on foreign exchange	13,403	1,406	16,145	38,653

9. Employee benefits expense

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and wages	57,374	45,382	5,004	4,932
Contributions to defined contribution plans	2,265	2,064	710	728
Employee defined benefit liabilities (Note 26)	1,275	1,451	-	-
Social security contributions	409	332	29	23
	61,323	49,229	5,743	5,683
Capitalised in:				
- capital work-in-progress	(121)	(30)	-	-
- bearer plants (Note 14)	(5,722)	(5,047)	-	-
- oil palm nurseries	(505)	(402)	-	-
- allocation for Plasma Scheme (Note 21)	(1,784)	(1,175)	-	-
Recognised in profit or loss	53,191	42,575	5,743	5,683

Included in employee benefits expense of the Group and of the Company are executive Directors' remuneration amounting to RM4,115,000 (2017: RM4,086,000) and RM2,924,000 (2017: RM3,233,000) respectively as further disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

10. Directors' remuneration

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive Directors of the Company				
Salaries, bonus and other emoluments	4,075	4,046	2,884	3,193
Fees	40	40	40	40
Total executive Directors' remuneration (excluding benefits-in-kind) (Note 9)	4,115	4,086	2,924	3,233
Benefits-in-kind	59	59	59	59
Total executive Directors' remuneration (including benefits-in-kind) (Note 32)	4,174	4,145	2,983	3,292
Non-executive Directors of the Company				
Allowances and other emoluments	390	371	390	371
Fees	40	40	40	40
Total non-executive Directors' remuneration	430	411	430	411
Non-executive Directors of a subsidiary				
Fees	108	108	-	-
Benefits-in-kind	10	10	-	-
	118	118	-	-
Total non-executive Directors' emuneration	548	529	430	411
Total Directors' remuneration	4,722	4,674	3,413	3,703

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	
	2018	2017
Executive Directors:		
RM500,001 - RM550,000	1	-
RM550,001 - RM600,000	1	2
RM900,001 - RM950,000	1	1
RM2,050,001 - RM2,100,000	-	1
RM2,100,001 - RM2,150,000	1	-
Non-Executive Directors:		
RM50,001 - RM100,000	1	1
RM100,001 - RM150,000	3	3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

11. Income tax expense

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Statements of comprehensive income:				
Current income tax:				
Income tax	4,351	6,565	152	106
Malaysian real property gains tax	-	1,598	-	1,055
Underprovision in prior years	374	1,230	112	1,215
	4,725	9,393	264	2,376
(i) Deferred income tax (Note 27):				
Relating to origination and reversal of temporary differences	8,887	(2,905)	(5)	(7)
Underprovision in prior years	266	199	-	-
	9,153	(2,706)	(5)	(7)
(ii) Deferred tax relating to origination and reversal of temporary differences of a subsidiary held for sale	-	(527)	-	-
	9,153	(3,233)	(5)	(7)
	13,878	6,160	259	2,369

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

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

11. Income tax expense (cont'd)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2018 and 2017 are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit before tax	(50,226)	20,125	(59,664)	7,121
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(12,054)	4,830	(14,319)	1,709
Effect of income not subject to tax	(5,459)	(8,350)	(5,459)	(10,842)
Effect of expenses not deductible for tax purposes	11,174	9,078	19,925	14,005
Effect of differences in tax rates in foreign jurisdictions	(417)	(296)	-	-
Effects of Malaysian real property gains tax	-	(6,573)	-	(3,718)
Effect of tax saving on increase chargeable income	(11)	(564)	-	-
Deferred tax assets not recognised in respect of tax losses and unabsorbed capital allowances	20,800	6,701	-	-
Utilisation of previously unrecognised tax losses and capital allowances	(795)	(95)	-	-
Underprovision of deferred tax in previous financial years	266	199	-	-
Underprovision of income tax expense in previous financial years	374	1,230	112	1,215
Income tax expense recognised in profit or loss	13,878	6,160	259	2,369

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year. The domestic statutory tax rate will be reduced by 1%, 2%, 3% or 4% if the company records an increase in chargeable income by 5% to 9.99%, 10% to 14.99%, 15% to 19.99% or more than 20% respectively from the immediate preceding year of assessment.

The computation of deferred tax as at 31 December 2018 has reflected this change.

The corporate tax rate applicable to the Indonesian subsidiaries of the Group is 25% (2017: 25%).

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tax savings recognised during the financial year arising from:				
Utilisation of current financial year tax losses	-	1	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

12. (Loss)/earnings per share

(a) Basic

Basic (loss)/earnings per share is calculated by dividing (loss)/profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the financial year. The following reflect the (loss)/profit and share data used in the computation of basic (loss)/earnings per share for the financial years ended 31 December 2018 and 2017:

	Group	
	2018 RM'000	**2017 RM'000**
(Loss)/profit attributable to equity holders of the parent	(48,229)	21,020
	Number of shares '000	**Number of shares '000**
Weighted average number of ordinary shares in issue *	116,877	117,114
Basic (loss)/earnings per share for the financial year (sen)	(41.26)	17.95

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the financial year.

(b) Diluted

The Group has no potential ordinary shares in issue as at the reporting date. Therefore, diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

13. Dividends

	Group/Company 2018 RM'000	Group/Company 2017 RM'000
Recognised during the financial year		
In respect of the financial year ended 31 December 2017:		
Final single-tier dividend of 1 sen per ordinary share, on 116,874,800 ordinary shares (excluding 3,125,200 treasury shares), approved by the shareholders at the Annual General Meeting on 25 May 2018 and paid on 21 August 2018	1,169	-
In respect of the financial year ended 31 December 2016:		
Final single-tier dividend of 1 sen per ordinary share, on 116,891,700 ordinary shares (excluding 3,108,300 treasury shares), approved by the shareholders at the Annual General Meeting on 25 May 2017 and paid on 24 August 2017	-	1,169
	1,169	1,169

The Directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2018.

14. Property, plant and equipment

	Long term leasehold land, buildings and mill structure RM'000	Bearer Plant (Restated) RM'000	Plantation and fishery infrastructure development expenditure RM'000	Oil mill and estate plant and machinery RM'000	Heavy equipment and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Platforms, net cages and water tanks RM'000	Hotel and office renovations RM'000	Hotel plant and machinery RM'000	Capital work-in-progress RM'000	Total RM'000
Group											
Cost											
At 1 January 2017 under FRS	223,235	-	27,223	60,982	55,902	10,416	631	4,687	4,631	3,148	390,855
- effect of transition to MFRS	-	358,418	-	-	-	-	-	-	-	-	358,418
At 1 January 2017 under MFRS	223,235	358,418	27,223	60,982	55,902	10,416	631	4,687	4,631	3,148	749,273
Acquisition of subsidiaries (Note 19(b)) (restated)	4,160	268,310	119	-	6,295	738	-	-	-	44	279,666
Additions	793	29,757	50	1,508	4,672	583	-	55	97	5,991	43,506
Allocation for Plasma Scheme	-	(17,582)	-	-	-	-	-	-	-	-	(17,582)
Disposals	(728)	-	-	(61)	(3,467)	(7)	-	-	-	-	(4,263)
Written off	(12)	-	-	(4,325)	(286)	-	-	-	-	(69)	(4,692)
Reclassifications	2,420	-	194	1,190	617	44	-	-	-	(4,465)	-
Exchange differences	(5,787)	(28,439)	(1,052)	(2,089)	(2,635)	(235)	-	-	-	(168)	(40,405)
At 31 December 2017	224,081	610,464	26,534	57,205	61,098	11,539	631	4,742	4,728	4,481	1,005,503
Additions	4,287	31,826	52	547	4,154	1,007	-	34	206	5,238	47,351
Allocation for Plasma Scheme	-	(8,061)	-	-	-	-	-	-	-	-	(8,061)
Disposals	-	-	-	-	(1,929)	-	-	-	-	-	(1,929)
Written off	(289)	-	-	(806)	(385)	(25)	-	-	-	(3)	(1,508)
Reclassifications	2,968	-	691	909	77	30	-	147	-	(4,830)	(8)
Exchange differences	(1,735)	(9,080)	(303)	(623)	(845)	(92)	-	-	-	(104)	(12,782)
At 31 December 2018	229,312	625,149	26,974	57,232	62,170	12,459	631	4,923	4,934	4,782	1,028,566

14. Property, plant and equipment (contd.)

Group (contd.)	Long term leasehold land, buildings and mill structure RM'000	Bearer Plant RM'000	Plantation and fishery infrastructure development expenditure RM'000	Oil mill and estate plant and machinery RM'000	Heavy equipment and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Platforms, net cages and water tanks RM'000	Hotel and office renovations RM'000	Hotel plant and machinery RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation											
At 1 January 2017 under FRS	46,304	-	3,320	28,664	35,177	7,054	594	1,838	3,743	-	126,694
- effect of transition to MFRS	-	71,376	-	-	-	-	-	-	-	-	71,376
At 1 January 2017 under MFRS	46,304	71,376	3,320	28,664	35,177	7,054	594	1,838	3,743	-	198,070
Depreciation charge:	7,493	12,620	635	3,373	5,017	961	8	299	213	-	30,619
Recognised in profit or loss (Note 8)	6,460	12,620	519	3,276	3,198	805	8	299	213	-	27,398
Allocation for Plasma Scheme	162	-	69	16	339	43	-	-	-	-	629
Capitalised in bearer plant	871	-	47	81	1,480	113	-	-	-	-	2,592
Disposals	(198)	-	-	(34)	(1,783)	(5)	-	-	-	-	(2,020)
Written off	(10)	-	-	(3,592)	(216)	-	-	-	-	-	(3,818)
Exchange differences	(579)	(266)	(128)	(235)	(1,052)	(107)	-	-	-	-	(2,367)
At 31 December 2017	53,010	83,730	3,827	28,176	37,143	7,903	602	2,137	3,956	-	220,484
Depreciation charge:	7,687	19,156	632	3,214	5,317	1,130	6	300	188	-	37,630
Recognised in profit or loss (Note 8)	6,869	19,156	545	3,209	4,202	996	6	300	188	-	35,471
Allocation for Plasma Scheme	142	-	71	5	138	24	-	-	-	-	380
Capitalised in bearer plant	676	-	16	-	977	110	-	-	-	-	1,779
Disposals	-	-	-	-	(1,091)	-	-	-	-	-	(1,091)
Written off	(76)	-	-	(665)	(309)	(18)	-	-	-	-	(1,068)
Exchange differences	(264)	(229)	(49)	(109)	(402)	(49)	-	-	-	-	(1,102)
At 31 December 2018	60,357	102,657	4,410	30,616	40,658	8,966	608	2,437	4,144	-	254,853
Net carrying amount											
At 1 January 2017	176,931	287,042	23,903	32,318	20,725	3,362	37	2,849	888	3,148	551,203
At 31 December 2017	171,071	526,734	22,707	29,029	23,955	3,636	29	2,605	772	4,481	785,019
At 31 December 2018	168,955	522,492	22,564	26,616	21,512	3,493	23	2,486	790	4,782	773,713

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

14. Property, plant and equipment (cont'd)

Breakdown of long term leasehold land, buildings and mill structure of the Group:

	Long term leasehold land RM'000	Buildings and mill structure RM'000	Total RM'000
Cost			
At 1 January 2017	106,033	117,202	223,235
Acquisition of subsidiaries	-	4,160	4,160
Additions	-	793	793
Disposals	-	(728)	(728)
Written off	-	(12)	(12)
Reclassified from capital work-in-progress	-	2,420	2,420
Exchange differences	-	(5,787)	(5,787)
At 31 December 2017	106,033	118,048	224,081
Additions	300	3,987	4,287
Written off	-	(289)	(289)
Reclassified from capital work-in-progress	-	2,968	2,968
Exchange differences	-	(1,735)	(1,735)
At 31 December 2018	106,333	122,979	229,312
Accumulated depreciation			
At 1 January 2017	10,810	35,494	46,304
Depreciation charge:	1,524	5,969	7,493
Recognised in profit or loss	1,519	4,941	6,460
Allocation to Plasma Scheme	-	162	162
Capitalised in bearer plant	5	866	871
Disposal	-	(198)	(198)
Written off	-	(10)	(10)
Exchange differences	-	(579)	(579)
At 31 December 2017	12,334	40,676	53,010
Depreciation charge:	1,528	6,159	7,687
Recognised in profit or loss	1,526	5,343	6,869
Allocation to Plasma Scheme	-	142	142
Capitalised in bearer plant	2	674	676
Written off	-	(76)	(76)
Exchange differences	-	(264)	(264)
At 31 December 2018	13,862	46,495	60,357
Net carrying amount			
At 31 December 2017	93,699	77,372	171,071
At 31 December 2018	92,471	76,484	168,955

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

14. Property, plant and equipment (cont'd)

	Office renovations RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Company				
Cost				
At 1 January 2017	493	770	-	1,263
Additions	-	22	30	52
At 31 December 2017	493	792	30	1,315
Additions	-	26	117	143
Reclassifications	147	-	(147)	-
At 31 December 2018	640	818	-	1,458
Accumulated depreciation				
At 1 January 2017	30	464	-	494
Depreciation charge for the financial year (Note 8)	10	67	-	77
At 31 December 2017	40	531	-	571
Depreciation charge for the financial year (Note 8)	14	58	-	72
At 31 December 2018	54	589	-	643
Net carrying amount				
At 31 December 2017	453	261	30	744
At 31 December 2018	586	229	-	815

(a) Assets held under finance leases

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM47,351,000 (2017: RM43,506,000) and RM143,000 (2017: RM52,000) respectively as follows:

	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000
Property, plant and equipment acquired by means of finance leases	886	282	-	-
Non-cash payments:				
Amortisation and depreciation capitalised under bearer plant	2,719	3,187	-	-
Interest capitalised	9,186	11,318	-	-
Cash payments made for acquisition of property, plant and equipment	34,560	28,719	143	52
	47,351	43,506	143	52

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

14. Property, plant and equipment (cont'd)

(a) Assets held under finance leases (cont'd)

The net carrying amounts of property, plant and equipment held under finance leases are as follows:

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Heavy equipment	1,454	1,865
Motor vehicles	1,675	813
Plant and machinery	67	326
	3,196	3,004

Leased assets are pledged as security for the related finance lease liabilities (Note 31 (b)).

(b) Assets pledged as security

In addition to assets held under finance leases, the net carrying amounts of property, plant and equipment pledged as securities for loans and borrowings (Note 24) are as follows:

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Long term leasehold land	71,161	72,082
Buildings and mill structure	58,036	54,847
Plantation infrastructure development expenditure	15,612	15,270
Capital work-in-progress	3,330	2,921
	148,139	145,120

(c) Additions to bearer plant capitalised during the financial year included the following:

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Amortisation of land use rights (Note 16)	940	595
Depreciation of property, plant and equipment (Note 14)	1,779	2,592
Interest capitalised (Note 7)	9,186	11,318
Employee benefits expense (Note 9)	5,722	5,047
	17,627	19,552

(d) Oil palm planting expenditure of the Group with an aggregate carrying value of RM378,410,000 (2017: RM206,778,000) is pledged as securities for loans and borrowings (Note 24).

(e) Additions to work-in-progress during the financial year included employee benefits expenses of RM121,000 (2017: RM30,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

15. Investment property

	Land use right RM'000
Group	
Cost	
At 1 January 2017/31 December 2017/31 December 2018	1,200
Accumulated depreciation	
At 1 January 2017	103
Depreciation charge for the financial year (Note 8)	40
At 31 December 2017	143
Depreciation charge for the financial year (Note 8)	13
At 31 December 2018	156
Net carrying amount	
At 31 December 2017	1,057
At 31 December 2018	1,044

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Fair value of investment property (Level 3)	1,200	1,200

Fair value information

MFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The three levels are explained below:

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There is no transfer between Level 1 and 2 fair values during the financial year.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the Group can assess at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment properties, either directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

15. Investment property (cont'd)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

The fair values of investment properties of the Group are categorised as Level 3.

The fair value of the property is based on Directors' valuation, which use comparison method. The comparison method entails analysing recent transactions and asking prices of similar land in and around the locality for comparison purposes with adjustments made for differences in location, visibility, size and tenure.

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Rental income derived from investment property	126	18
Direct operating expenses from investment property:		
- depreciation of investment property	(13)	(40)
- utility expenses	(7)	(1)

16. Land use rights

	Short term land lease RM'000
Group	
Cost	
At 1 January 2017	36,741
Acquisition of subsidiaries (Note 19(b))	37,494
Additions	2,000
Exchange differences	(5,482)
At 31 December 2017	70,753
Additions	5,941
Exchange differences	(3,094)
At 31 December 2018	73,600
Accumulated amortisation and impairment loss	
At 1 January 2017	6,249
Amortisation for the year:	1,385
Recognised in profit or loss (Note 8)	790
Capitalised in bearer plant (Note 14)	595
At 31 December 2017	7,634
Amortisation for the year:	2,505
Recognised in profit or loss (Note 8)	1,565
Capitalised in bearer plant (Note 14)	940
At 31 December 2018	10,139
Net carrying amount	
At 31 December 2017	63,119
At 31 December 2018	63,461

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

16. Land use rights (cont'd)

The Group has land use rights over:

(a) a parcel of leasehold land in Malaysia where a subsidiary's oil mill resides with a remaining tenure of 26 years (2017: 27 years);

(b) several parcels of leasehold land in Malaysia with remaining tenure from 15 to 29 years (2017: 16 to 30 years). The leases are renewable for a further term of 30 years; and

(c) several parcels of leasehold plantation land in Indonesia with certificates of Hak Guna Usaha ("HGU") issued by the Indonesian authority with tenure of 35 years commencing from year 2010, 2013 and 2014 respectively.

Land use rights of the Group with an aggregate carrying value of RM35,364,000 (2017: RM14,982,000) is pledged as securities for loans and borrowings (Note 24).

17. Biological assets

Biological assets relate to agricultural produce growing on bearer plants, which is referred to as fresh fruit bunches ("FFB") with the following movements in carrying value:

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
At 1 January under FRS	-	-
Effects transition to MFRS	3,143	3,414
At 1 January under MFRS	3,143	3,414
Harvest	(3,143)	(3,414)
Fair value changes of biological assets	2,228	3,143
At 31 December	2,228	3,143
Net fair value changes of biological assets to profit of loss (Note 8)	(915)	(271)

The Group's biological assets were fair valued within Level 3 of the fair value hierarchy. Fair value assessments have been completed consistently using the same valuation techniques.

To arrive at the fair value of FFB, the management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generate from FFB prior to more than 6 weeks to harvest to be negligible, therefore quantity of unripe FFB on bearer plants of up to 6 weeks prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 21% for FFB that are 5 to 6 weeks prior to harvest, 40% for FFB that are 3 to 4 weeks prior to harvest and 63% for FFB that are 1 to 2 weeks prior to harvest. The net present value of cash flows is then determined with reference to the market value of crude palm oil at the date of harvest, adjusted for freight and other cost to sell at the point of harvest.

The valuation model adopted by the Group is a discounted cash flow model which includes all cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity are accounted for. The net present value of cash flows is then determined with reference to the market value of crude palm oil at the date of harvest, adjusted for freight, extraction rates, production, transportation, contributory asset charges and other cost to sell at the point of harvest. Changes to the assumed prices of the FFB and tonnage included in the valuation will have a direct effect on the reported valuation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

18. Intangible asset

	Group 31.12.2018 RM'000	31.12.2017 RM'000 (Restated)
Goodwill (a)		
Cost	32,784	5,050
Exchange differences	(210)	-
	32,574	5,050
Less: Accumulated impairment loss	(118)	(118)
	32,456	4,932
Provisional goodwill (b)		
Acquisition of subsidiaries (Note 19(b))	-	27,734
Exchange differences	-	(146)
	-	27,588
Net carrying amount	32,456	32,520

(a) Impairment testing of goodwill

Goodwill which arose from business combinations has been allocated to the CGU plantation and milling segment in Malaysia and CGU plantation and milling segment in Indonesia for impairment testing. The carrying amounts of goodwill for plantation and milling segment in Malaysia and in Indonesia amounted to RM4,932,000 and RM27,524,000 respectively (2017: RM4,932,000 and RM27,588,000 respectively).

The recoverable amount of the CGU has been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management. The Crude Palm Oil ("CPO") and Palm Kernel ("PK") prices and the pre-tax discount rate applied to the cash flow projections are as follows:

	Group 2018	2017
Plantation and milling segment in Malaysia:		
CPO per MT (RM)	2,200	2,610
PK per MT (RM)	1,700	2,170
Pre-tax discount rate (%)	12	12

	Group 2018	2017
Plantation and milling segment in Indonesia:		
CPO per MT (RM)	2,200	-
PK per MT (RM)	1,700	-
Pre-tax discount rate (%)	12	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

18. Intangible asset (cont'd)

(a) Impairment testing of goodwill (cont'd)

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

CPO and PK prices – CPO and PK prices are based on the current market outlook of product prices relating to the CGU.

Pre-tax discount rates – Discount rates are calculated based on the weighted average cost of capital ("WACC") of the Group in the respective segments. In determining the cost of equity portion for the WACC, the capital asset pricing model is used. The calculation of cost of equity based on capital asset pricing model takes into account of the Local Government Securities coupon rate as the risk free rate of return, the beta risk of a similar size listed plantation company and the market rate of return.

The assumptions relating to CPO and PK prices and the pre-tax discount rate relavent to the plantation and millings segment in Indonesia are also used by the Group and the Company in the assessments of the recoverable amount of the CGU relating to the non-current assets of the Group's Indonesia entities and the Company's interests in subsidiaries.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the plantation and mill segment, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGU to exceed their recoverable amounts.

(b) Provisional goodwill

The provisional goodwill arose from the acquisition of SNMU Group in the previous financial year, which could not be reliably allocated to a CGU by 31 December 2017. There were no indicators of impairment as at 31 December 2017 to suggest that the provisional goodwill had been impaired and hence it was not subject to any impairment testing.

19. Interests in subsidiaries

	Company	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Unquoted shares at cost	172,083	172,083
Amounts due from subsidiaries	555,653	538,901
Less: Accumulated impairment losses	(52,653)	-
	675,083	710,984

Amounts due from subsidiaries are unsecured and non-interest bearing except for an amount of RM262,707,000 (2017: RM293,552,000) subject to interest charge at rates ranging from 6.89% to 10.48% (2017: 6.66% to 10.68%) per annum. Included therein are amounts due from subsidiaries of RM437,164,000 (2017: RM432,884,000) denominated in Indonesian Rupiah.

An impairment assessment of the carrying amounts of interests in subsidiaries at the reporting date was undertaken based on the value in use calculation. As a result of the impairment assessment, the Company recognise an impairment loss of RM52,653,000 (2017: RM Nil) during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

19. Interests in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Effective Proportion of ownership interest 31.12.2018 %	31.12.2017 %
Incorporated in Malaysia			
Held by the Company:			
Agrisa Trading Sdn. Bhd. [i]	Oil palm plantation	100	100
Berkat Setia Sdn. Bhd. [i]	Oil palm plantation and palm oil mill	100	100
Ballerina Sdn. Bhd. [i]	Property letting	100	100
Dat Soon Trading Sendirian Berhad [i]	Trading of fresh fruit bunches	100	100
Growth Enterprise Sendirian Berhad [i]	Oil palm plantation	100	100
Intan Ramai Sdn. Bhd. [i]	Oil palm plantation	100	100
Kian Merculaba Sdn. Bhd. [i]	Oil palm plantation	100	100
Kidat Sendirian Berhad [i]	Transportation services	100	100
Sinar Ramai Sdn. Bhd. [i]	Oil palm plantation	100	100
Seraya Plantation Sdn. Bhd. [i]	Oil palm plantation	100	100
Syarikat Emashijau Sdn. Bhd. [i]	Management services	100	100
Syarikat Sofrah Sdn. Bhd. [i]	Oil palm plantation	100	100
Transglobe Enterprise Sdn. Bhd. [i]	Oil palm plantation	100	100
Wenow Enterprise Sdn. Bhd. [i]	Trading of fresh fruit bunches	100	100
The Palace Ventures Sdn. Bhd. [i]	Hotelier	100	100
Miracle Display Sdn. Bhd. [i]	Dormant	100	100
Better Prospects Sdn. Bhd. [i]	Renting of fish hatchery assets	100	100
Bintang Kinabalu Plantation Sdn. Bhd. [i]	Investment holding	100	100
Banggi Setia Sdn. Bhd. [i]	Oil palm mill	100	100
Miasa Plantation Sdn. Bhd. [i]	Investment holding	100	100
Natural Plantation Sdn. Bhd. [i]	Dormant	100	100
Permata Alam Sdn. Bhd. [i]	Investment holding	100	100
Berkat Banggi Sdn. Bhd. [i]	Dormant	100	100
Sungai Kenali Sdn. Bhd. [i]	Oil palm plantation	100	100
Held through Growth Enterprise Sendirian Berhad:			
Telupid Kelapa Sawit Sdn. Bhd. [i]	Investment holding	70	70
Held through Telupid Kelapa Sawit Sdn. Bhd:			
Bonus Indah Sdn. Bhd. [i]	Oil palm plantation	70	70
Held through Berkat Setia Sdn. Bhd.:			
Best Borneo Oil Palm Resources Sdn. Bhd. [i]	Marketing and trading of crude palm oil and crude palm oil refine products	70	70
Held through Kidat Sendirian Berhad:			
Pedoman Hasil Sdn. Bhd. [i]	Oil palm plantation	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

19. Interests in subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Principal activities	Effective Proportion of ownership interest 31.12.2018 %	31.12.2017 %
Incorporated in Indonesia			
Held through Bintang Kinabalu Plantation Sdn. Bhd.:			
PT Borneo Utama Berkat Setia ("PT Borneo") (formerly known as PT Borneo Indosubur) [ii]	Oil palm plantation	95	95
Held through Miasa Plantation Sdn. Bhd.:			
PT Sawit Nusantara Makmur Utama [ii]	Investment holding	74	74
Held through PT Sawit Nusantara Makmur Utama.:			
PT Nala Palma Cadudasa [ii]	Oil palm plantation and palm oil mill	70	70
PT Enggang Alam Sawita [ii]	Oil palm plantation	70	70
PT Hamparan Sentosa [ii]	Oil palm plantation	70	70
PT Sumber Alam Selaras [ii]	Oil palm plantation	70	70

(i) Audited by Ernst & Young, Malaysia

(ii) Audited by Kanaka Puradiredja, Suhartono (a member of Nexia International)

In the previous financial year, an investment in a subsidiary of the Company with a net carrying amount of RM11,308,000 was pledged as securities for loans and borrowings.

19. Interests in subsidiaries (cont'd)

(a) Subsidiaries with material non-controlling interests

Financial information of subsidiaries that have material non-controlling interests is provided below.

Proportion of equity interest held by non-controlling interests:

Name	**Country of incorporation and operation**	**2018** %	**2017** %
Bonus Indah Sdn. Bhd.	Malaysia	30	30
PT Borneo	Indonesia	5	5
PT Sawit Nusantara Makmur Utama and its subsidiaries ("SNMU Group")	Indonesia	26	26

	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Accumulated balances of material non-controlling interests:			
Bonus Indah Sdn. Bhd.	346	97	(1,215)
PT Borneo	(2,732)	(2,510)	(2,240)
SNMU Group	1,701	16,524	-
PT Enggang Alam Sawita	-	-	(1,066)
Other individually immaterial non-controlling interest	17	48	(29)
	(668)	14,159	(4,492)

	31.12.2018 RM'000	**31.12.2017 RM'000**
Profit/(loss) allocated to material non-controlling interests:		
Bonus Indah Sdn. Bhd.	249	1,312
PT Borneo	(283)	(476)
SNMU Group	(15,811)	(6,990)
PT Nala Palma Cadudasa	-	(707)
PT Enggang Alam Sawita	-	(193)
Other individually immaterial non-controlling interest	(30)	(1)
	(15,875)	(7,055)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

19. Interests in subsidiaries (cont'd)

(a) Subsidiaries with material non-controlling interests (cont'd)

The summarised financial information of the subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statements of financial position as at 31 December 2018:

	Bonus Indah Sdn. Bhd. RM'000	PT Borneo RM'000	SNMU Group RM'000	Total RM'000
Non-current assets	33,002	27,439	629,021	689,462
Current assets	921	1,387	32,135	34,443
Total assets	33,923	28,826	661,156	723,905
Current liabilities	10,355	80,059	644,862	735,276
Non-current liabilities	4,753	225	41,488	46,466
Total liabilities	15,108	80,284	686,350	781,742
Total equity	18,815	(51,458)	(25,194)	(57,837)
Attributable to:				
Non-controlling interests	346	(2,732)	1,701	(685)
Other individually immaterial non-controlling interests	-	-	-	17
	346	(2,732)	1,701	(668)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

19. Interests in subsidiaries (cont'd)

(a) Subsidiaries with material non-controlling interests (cont'd)

Summarised statements of comprehensive income for financial year ended 31 December 2018:

	Bonus Indah Sdn. Bhd. RM'000	PT Borneo RM'000	SNMU Group RM'000	Total RM'000
Revenue	11,021	3,448	62,920	77,389
Profit/(loss) for the financial year	828	(4,406)	(53,335)	(56,913)
Other comprehensive income	80	1,241	3,883	5,204
Total comprehensive income/(loss)	908	(3,165)	(49,452)	(51,709)
Other comprehensive income/(loss) attributable to:				
Non-controlling interests	24	61	981	1,066
Other individually immaterial non-controlling interests	-	-	-	(18)
	24	61	981	1,048
Profit/(loss) attributable to:				
Non-controlling interests	249	(283)	(15,811)	(15,845)
Other individually immaterial non-controlling interests	-	-	-	(30)
	249	(283)	(15,811)	(15,875)
Total comprehensive income/(loss) attributable to:				
Non-controlling interests	273	(222)	(14,830)	(14,779)
Other individually immaterial non-controlling interests	-	-	-	(48)
	273	(222)	(14,830)	(14,827)

Summarised cash flows for financial year ended 31 December 2018:

	Bonus Indah Sdn. Bhd. RM'000	PT Borneo RM'000	SNMU Group RM'000	Total RM'000
Net cash flows from operating activities	761	1,324	23,787	25,872
Net cash flows (used in)/from investing activities	(459)	235	(26,737)	(26,961)
Net cash flows (used in)/from financing activities	(290)	(1,591)	2,597	716
Net increase/(decrease) in cash and cash equivalents	12	(32)	(353)	(373)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

19. Interests in subsidiaries (cont'd)

(a) Subsidiaries with material non-controlling interests (cont'd)

Summarised statements of financial position as at 31 December 2017:

	Bonus Indah Sdn. Bhd. RM'000	PT Borneo RM'000	SNMU Group RM'000	Total RM'000
Non-current assets	33,604	29,703	624,344	687,651
Current assets	793	3,004	44,183	47,980
Total assets	34,397	32,707	668,527	735,631
Current liabilities	11,888	80,501	488,385	580,774
Non-current liabilities	4,520	328	161,731	166,579
Total liabilities	16,408	80,829	650,116	747,353
Total equity	17,989	(48,122)	18,411	(11,722)
Attributable to:				
Non-controlling interests	97	(2,510)	5,363	2,950
Dilution of existing subsidiaries	-	-	11,161	11,161
Other individually immaterial non-controlling interests	-	-	-	48
	97	(2,510)	16,524	14,159

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

19. Interests in subsidiaries (cont'd)

(a) Subsidiaries with material non-controlling interests (cont'd)

Summarised statements of comprehensive income for financial year ended 31 December 2017:

	Bonus Indah Sdn. Bhd. RM'000	PT Borneo RM'000	SNMU Group RM'000	Total RM'000
Revenue	16,637	3,140	19,424	39,201
Profit/(loss) for the financial year	4,371	(5,470)	(34,863)	(35,962)
Other comprehensive income/(loss)	80	(3)	(99)	(22)
Total comprehensive income/(loss)	4,451	(5,473)	(34,962)	(35,984)
Other comprehensive income attributable to:				
Non-controlling interests	24	206	2,188	2,418
Other individually immaterial non-controlling interests	-	-	-	45
	24	206	2,188	2,463
Profit/(loss) attributable to:				
Non-controlling interests	1,312	(476)	(6,990)	(6,154)
Other individually immaterial non-controlling interests	-	-	-	(901)
	1,312	(476)	(6,990)	(7,055)
Total comprehensive income/(loss) attritutable to:				
Non-controlling interests	1,336	(270)	(4,802)	(3,736)
Other individually immaterial non-controlling interests	-	-	-	(856)
	1,336	(270)	(4,802)	(4,592)

Summarised cash flows for financial year ended 31 December 2017:

	Bonus Indah Sdn. Bhd. RM'000	PT Borneo RM'000	SNMU Group RM'000	Total RM'000
Net cash flows (used in)/from operating activities	(191)	1,318	11,486	12,613
Net cash flows (used in)/from investing activities	(357)	404	(19,830)	(19,783)
Net cash flows (used in)/from financing activities	(417)	(1,734)	7,584	5,433
Net decrease in cash and cash equivalents	(965)	(12)	(760)	(1,737)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

19. Interests in subsidiaries (cont'd)

(a) Subsidiaries with material non-controlling interests (cont'd)

Summarised statement of financial position as at 1 January 2017:

	Bonus Indah Sdn. Bhd. RM'000	PT Borneo RM'000	PT Enggang Alam Sawita RM'000	Total RM'000
Non-current assets	34,978	42,462	52,669	130,109
Current assets	2,115	3,891	3,086	9,092
Total assets	37,093	46,353	55,755	139,201
Current liabilities	18,905	89,233	72,963	181,101
Non-current liabilities	4,570	524	7	5,101
Total liabilities	23,475	89,757	72,970	186,202
Total equity	13,618	(43,404)	(17,215)	(47,001)
Attributable to:				
Non-controlling interests	(1,215)	(2,240)	(1,066)	(4,521)
Other individually immaterial non-controlling interests	-	-	-	29
	(1,215)	(2,240)	(1,066)	(4,492)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

19. Interests in subsidiaries (cont'd)

(b) Business combination

On 3 August 2017, a wholly-owned subsidiary, Miasa Plantation Sdn. Bhd. has completed the acquisition of the 74% equity interest in PT Sawit Nusantara Makmur Utama and its subsidiaries ("SNMU Group"), an unlisted limited liability company incorporated in Indonesia and principally involved in investment holding with its subsidiaries principally involved in operation of oil palm plantation.

The fair values of the identifiable assets and liabilities of SNMU Group as at the date of acquisition were:

	Fair value RM'000 (Restated)
Property, plant and equipment (Note 14)	279,666
Land use rights (Note 16)	37,494
Inventories	4,069
Other receivables	110,161
Cash and bank balances	2,870
	434,260
Deferred tax liabilities (Note 27)	39,108
Trade and other payables	282,892
Loans and borrowings (Note 24)	83,063
Employee defined benefit liabilities (Note 26)	867
	405,930
Identifiable assets at fair value	28,330
Less: Non-controlling interests	(12,082)
Identifiable net assets acquired	16,248
Less: Dilution of existing subsidiaries	(31,632)
Purchase consideration transferred	(12,350) *
Goodwill arising from business combination (Note 18)	27,734

	Cash flow on acquisition RM'000
Cash and bank balances of subsidiaries acquired	2,870
Cash paid	(12,350) *
Net cash flows on acquisition	(9,480) *

* The Group had paid the cash consideration in advance in the previous financial years.

The fair value adjustments in the previous financial year were reviewed during the current financial year and the final allocation of the purchase price was determined after completion of a final analysis to determine the fair values of SNMU Group's tangible and identifiable assets and liabilities acquired. The identifiable assets at fair value, non-controlling interest and the dilution of existing subsidiaries purchase consideration transferred have been revised as at the date of acquisition, and the goodwill arising from business combination has been revised to RM27,734,000. This revision is accounted for retrospectively as disclosed in Note 36.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

19. Interests in subsidiaries (cont'd)

(c) Disposal of a subsidiary

In the previous year, the Group disposed of its 100% equity interest in Sungai Ruku Oil Palm Plantation Sdn. Bhd. on 3 March 2017 for a total cash consideration of RM35,500,000. The subsidiary was previously reported as part of the plantation and milling segment and was treated as non-current assets held for sale as disclosed in Note 23.

The disposal had the following effects on the financial position of the Group as at the end of the financial year 31 December 2017:

	31.12.2017 RM'000
Property, plant and equipment	12,343
Deferred tax liability	(1,332)
Net assets disposed	11,011
Expenses directly attributable to disposal	1,025
Total net assets disposed and expenses directly attributable to disposal	12,036
Total cash consideration	(35,500)
Gain on disposal to the Group (Note 6)	(23,464)
Disposal proceeds settled by:	
Cash consideration	35,500
Settlement of subsidiary's loans and borrowings	(8,041)
Expenses directly attributable to disposal	(1,025)
Net cash flows from disposal	26,434

Company

Carrying amount of investment	14,397
Expenses directly attributable to disposal	1,025
Less: Cash consideration	(35,500)
Gain on disposal to the Company (Note 6)	(20,078)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

20. Inventories

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Cost		
Crude palm oil and palm kernel	12,330	13,420
Consumable stores	5,986	5,219
Oil palm nurseries	2,561	3,570
Food, beverages and tobacco	95	195
Hotel consumables	138	41
	21,110	22,445

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM141,480,000 (2017: RM143,889,000).

21. Trade and other receivables

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000
Current				
Trade receivables (Note a)				
Third parties	10,179	7,296	-	-
Less: Allowance for expected credit losses	(92)	(92)	-	-
Trade receivables, net	10,087	7,204	-	-
Other receivables				
Advances to contractors (Note b)	2,245	4,428	-	-
Indonesian VAT recoverable	5,543	5,396	-	-
Malaysian GST recoverable	2	251	-	4
Staff loans (Note c)	1,797	2,133	38	27
Sundry deposits	1,192	3,123	2	1
Sundry receivables	3,260	5,120	10	509
	14,039	20,451	50	541
Less: Allowance for expected credit losses (Note f)	(1,778)	(1,519)	-	-
	12,261	18,932	50	541
	22,348	26,136	50	541

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

21. Trade and other receivables (cont'd)

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000
Non-Current				
Other receivables				
Foreign companies pending completion of acquisition:				
- Deposits paid for purchase consideration and incidental costs	4,798	4,798	-	-
- Advances for working capital	4,865	4,246	-	-
Amounts due from foreign subsidiaries' non-controlling interests (Note d)	1,699	1,759	-	-
Advance for Plasma Scheme (Note e)	35,989	28,287	-	-
Deposits paid for leases of land and office building	982	6,367	-	-
	48,333	45,457	-	-
Less: Allowance for expected credit losses (Note f)	(10,641)	(9,824)	-	-
	37,692	35,633	-	-
Total trade and other receivables (current and non-current)	60,040	61,769	50	541
Add: Cash and bank balances (Note 22)	12,443	15,885	4,807	5,828
Amounts due from subsidiaries (Note 19)	-	-	262,707	293,552
Less: Indonesian VAT recoverable	(5,543)	(5,396)	-	-
Malaysian GST recoverable	(2)	(251)	-	(4)
Deposits paid for leases of land and office building	(982)	(6,367)	-	-
Total financial assets measured at amortised cost	65,956	65,640	267,564	299,917

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 60 days (2017: 7 to 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

21. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

Ageing analysis of trade receivables

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

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Neither past due nor impaired	9,045	6,561
1 to 30 days past due not impaired	217	141
31 to 60 days past due not impaired	6	109
61 to 90 days past due not impaired	356	185
91 to 120 days past due not impaired	462	207
More than 121 days past due not impaired	1	1
	1,042	643
Impaired	92	92
	10,179	7,296

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Approximately 65% (2017: 45%) of the Group's trade receivables arise from refinery customers which are subsidiaries of well-established listed plantation groups.

None of the Group'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 has trade receivables amounting to RM1,042,000 (2017: RM643,000) that are past due at the reporting date but not impaired. These balances are unsecured in nature. Management is confident that these receivables are recoverable as these accounts are still active.

Receivables that are impaired

The movements of the allowance accounts used to record the expected credit losses are as follows:

	Individually impaired Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
At the beginning/end of financial year	92	92

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

21. Trade and other receivables (cont'd)

(b) Advances to contractors

The advances were made to contractors engaged by the Group's Indonesian subsidiaries for oil palm plantation development and these advances are interest-free and will be deducted against future progress billings for contract work done by the contractors.

(c) Staff loans

The above amount is unsecured, non-interest bearing and is repayable on demand.

(d) Amounts due from foreign subsidiaries' non-controlling interests

Amounts due from foreign subsidiaries' non-controlling interests are unsecured, non-interest bearing and have no fixed term of repayment.

(e) Advance for Plasma Scheme

	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000
Advance for Plasma Scheme	35,989	28,287	3,744

Plasma receivable during the financial year included the following:

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Depreciation of property, plant and equipment (Note 14)	380	629
Property, plant and equipment (Note 14)	8,061	17,582
Employee benefits expense (Note 9)	1,784	1,175
Interest capitalised (Note 7)	6,433	4,581
	16,658	23,967

(f) Other receivables that are impaired

Non-current:

At the reporting date, the Group has made allowance for expected credit losses of RM10,641,000 (2017: RM9,824,000) on the plasma receivables, purchase consideration and incidental costs for the acquisition of foreign companies and advances for working capital with nominal amounts of RM16,105,000 (2017: RM15,578,000).

The movements of the allowance accounts used to record the expected credit losses are as follows:

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
At the beginning of financial year	9,824	6,925
Charge for the financial year (Note 8)	817	2,899
At the end of financial year	10,641	9,824

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

21. Trade and other receivables (cont'd)

(f) Other receivables that are impaired (cont'd)

Current:

As the reporting date, the Group has made allowance for expected credit losses of RM1,778,000 (2017: RM1,519,000).

The related receivables are determined to be individually impaired and full allowance has been recognised. These receivables are not secured by any collateral or credit enhancements.

The movements of the allowance accounts used to record the expected credit losses are as follows:

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
At the beginning of financial year	1,519	1,650
Charge for the financial year (Note 8)	286	72
Translation difference	(27)	(203)
At the end of financial year	1,778	1,519

22. Cash and bank balances

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Cash at banks and on hand	8,557	13,147	4,807	5,828
Short-term fixed deposits with licensed banks	3,886	2,738	-	-
Cash and bank balances	12,443	15,885	4,807	5,828

Cash at certain banks earns interest at floating rates based on daily bank deposit rates. Short-term fixed deposits are made for periods of between 3 months and 12 months (2017: 3 months and 12 months) depending on the immediate cash requirements of the Group and of the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2018 and 31 December 2017 for the Group were as follows:

Short-term fixed deposits with licensed banks in:

	Group	
	31.12.2018 %	31.12.2017 %
Malaysia	2.52 to 3.15	2.95 to 3.15

Short-term fixed deposits with licensed banks of the Group amounting to RM29,000 (2017: RM29,000) are held under lien to secure bank guarantees issued in favour of third parties on behalf of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

22. Cash and bank balances (cont'd)

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

	Group		Company	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Cash and bank balances	12,443	15,885	4,807	5,828
Bank overdraft (Note 24)	(4,976)	(3,426)	(995)	-
	7,467	12,459	3,812	5,828
Short term fixed deposits with licensed banks with maturity more than 3 months	(3,886)	(2,738)	-	-
Total cash and cash equivalents	3,581	9,721	3,812	5,828

23. Non-current assets and disposal group classified as held for sale

On 29 September 2016, the Company has entered into a Conditional Sale and Purchase Agreement ("Share Sale SPA") with Budaya Potensi Sdn. Bhd. ("BPSB") ("the Purchaser") in relation to the proposed disposal of its entire equity interest in Sungai Ruku Oil Palm Plantation Sdn. Bhd. ("SROPP"), a wholly owned subsidiary of the Company for a sales consideration of RM35,500,000 ("Share Sale").

SROPP is the equitable and beneficial owner of a palm oil mill erected on a parcel of agricultural land ("said Palm Oil Mill") and located within the land held under Country Lease No. 095310348, located at Segaliud-Lokan, District of Kinabatangan, in the State of Sabah ("the said Land") registered in the name of Agrisa Trading Sdn. Bhd. ("ATSB"). The Share Sale is to be sold en-bloc with the disposal of the said Land entered between ATSB and BPSB.

On the same date, ATSB entered into a Conditional Sale and Purchase Agreement ("Land SPA") with BPSB in relation to the disposal of the said Land at a sales consideration of RM12,000,000.

As at 31 December 2016, the assets related to SROPP and the said Land owned by ATSB have been presented in the consolidated statement of financial position as "Assets of disposal group classified as held for sale" while the liabilities related to SROPP have been presented in the consolidated statement of financial position as "Liabilities directly associated with disposal group classified as held for sale". In the Company's statement of financial position, the investment in SROPP is presented as "non-current assets held for sale". The disposal of the said Land and Share Sale were completed on 3 March 2017. The Group recorded gains of RM10,773,000 and RM23,464,000 from the disposals of the said Land and Share Sale respectively. The Company recorded gain of RM20,078,000 from the disposal of the Share Sale. Further details of the disposal of the Share Sale as disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

23. Non-current assets and disposal group classified as held for sale (cont'd)

Statements of financial position disclosures

The major classes of assets and liabilities classified as held for sale as at 1 January 2017 were as follows:

	Group 1.1.2017 RM'000
Assets:	
Property, plant and equipment	14,124
Inventories	4,774
Trade and other receivables	6,922
Tax recoverable	263
Cash and bank balances	441
Assets of disposal group classified as held for sale	26,524
Liabilities:	
Trade and other payables	11,189
Loans and borrowings	11,369
Deferred tax liabilities	1,860
Liabilities directly associated with disposal group classified as held for sale	24,418

Cash and cash equivalents attributable to disposal group classified as held for sale in the previous financial year comprised cash and bank balances of RM441,000 and bank overdrafts of RM4,398,000.

Assets held for sale of the Group with a total net carrying amount of RM14,124,000 in the previous financial year was charged to secure banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

24. Loans and borrowings

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Current				
Secured:				
Revolving credits	262,917	224,813	112,720	100,950
Bank loans	170,342	38,939	143,783	33,509
Obligations under finance leases (Note 31(b))	500	669	-	-
	433,759	264,421	256,503	134,459
Unsecured:				
Bankers' acceptances	6,399	5,280	-	-
Bank overdrafts	4,976	3,426	995	-
	11,375	8,706	995	-
	445,134	273,127	257,498	134,459
Non-current				
Secured:				
Bank loans	-	143,888	-	117,324
Obligations under finance leases (Note 31(b))	774	473	-	-
	774	144,361	-	117,324
Total loans and borrowings				
Bank overdrafts (Note 22)	4,976	3,426	995	-
Revolving credits	262,917	224,813	112,720	100,950
Bankers' acceptances	6,399	5,280	-	-
Bank loans	170,342	182,827	143,783	150,833
Obligations under finance leases	1,274	1,142	-	-
Total loans and borrowings (Note 25)	445,908	417,488	257,498	251,783

All the above loans and borrowings are denominated in RM except for two (2017: two) revolving credits amounting to RM200,873,000 (2017: RM176,299,000) which are denominated in United States Dollar ("USD").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

24. Loans and borrowings (cont'd)

The remaining maturities of the loans and borrowings as at the reporting date are as follows:

	Group		Company	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
On demand or within one year	445,134	273,127	257,498	134,459
More than 1 year but less than 2 years	305	32,370	-	26,394
More than 2 years but less than 5 years	469	69,241	-	51,325
5 years or more	-	42,750	-	39,605
	445,908	417,488	257,498	251,783

Bank overdrafts

Bank overdrafts are repayable on demand and bear interest ranging from Malaysian Base Lending Rate ("BLR") + 0.25% to BLR + 1.25% (2017: BLR + 0.25% to BLR + 1.25%) per annum. They are secured by corporate guarantees given by the Company as disclosed in Note 25(d).

Revolving credits

Revolving credits denominated in RM are roll-over on a monthly basis subject to bank's review and bear interests ranging from Cost of Fund ("COF") + 1.00% to COF + 1.50% (2017: from COF + 1.00% to COF + 1.25%) per annum. Revolving credits denominated in USD are also roll-over on a monthly basis and bear interests ranging from 4.61% to 5.88% (2017: 3.78% to 4.92%) per annum. The revolving credits are secured by legal charges over several parcels of long term leasehold land, land use rights and oil palm planting expenditure and palm oil mill of certain subsidiaries as disclosed in Notes 14 and 16 and a corporate guarantee by the Company as disclosed in Note 25(d).

Loan covenant - Revolving credits

Revolving credits with carrying amount of RM255,895,000 contain covenant with a gearing ratio of not more than the range of 1.00 to 1.30 times on consolidated basis. As at 31 December 2018, the gearing ratio of the Group was 1.65 and the aforementioned covenant has not been complied with by the Group. Subsequent to the financial year end, the Group has obtained indulgence from banks to renew revolving credit facilities with carrying amount of RM137,742,000. The Directors are confident that they are able to obtain continuing support from its lender to roll over the remaining revolving credit facilities.

Bankers' acceptances

Bankers' acceptances are drawn on 90 days (2017: 90 days) tenure and bear interest at COF + 1.50% (2017: COF + 1.25%) per annum. They are secured by corporate guarantees given by the Company as disclosed in Note 25(d).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

24. Loans and borrowings (cont'd)

Bank loans

The bank loans of the Group and of the Company consist of the following:

(a) Two (2017: Four) floating rate term loans granted to the Company bearing interest at COF + 1.30% (2017: COF + 1.50%) per annum of which one is expected to be fully repaid in 2023 and the other one in 2026 respectively (2017: one in 2018, one in 2019 and the other two in 2020 respectively). These bank loans are secured by:

(i) legal charges over several parcels of long term leasehold land , oil palm planting expenditure and bearer plant of certain subsidiaries as disclosed in Notes 14;

(ii) assignment of the account receivables and collection account; and

(iii) corporate guarantees by certain subsidiaries.

(b) One (2017: Two) floating rate term loans granted to the Company bearing interest at COF + 1.30% (2017: COF + 1.30%) per annum of which one is expected to be fully repaid in 2024 (2017: one in 2020 and the other one in 2025). These bank loans are secured by:

(i) legal charges over several parcels of long term leasehold land , oil palm planting expenditure and bearer plant of certain subsidiaries as disclosed in Notes 14; and

(ii) corporate guarantees given by certain subsidiaries.

(c) Two (2017: Two) floating rate term loans granted to a subsidiary bearing interest at COF + 1.30% (2017: COF + 1.30%) per annum and they are expected to be fully repaid over approximately 5 years in 2023 (2017: 6 years in 2023). These bank loans are secured by:

(i) legal charges over several parcels of long term leasehold land and oil palm planting expenditure of certain subsidiaries as disclosed in Notes 14; and

(ii) corporate guarantees by the Company as disclosed in Note 25(d).

Loan covenant - Bank Loans

During the current financial year, bank loans with carrying amount of RM170,342,000 contain covenant with a gearing ratio of not more than the range of 1.00 to 1.20 times on a consolidated basis. As at 31 December 2018, the gearing ratio of the Group was 1.65 and the aforementioned covenant has not been complied with by the Group. Subsequent to the financial year end, the Group has obtained indulgence from a bank not to change the repayment terms of the bank loans. As the indulgence was received subsequent to the financial year end, these bank loans are presented as current liabilities in the financial statements.

24. Loans and borrowings (cont'd)

Obligations under finance leases

These obligations are secured by charges over leased assets as disclosed in Note 14 and corporate guarantees by the Company as disclosed in Note 25(d). The discount rates implicit in the leases range from 4.83% to 6.54% (2017: 4.83% to 6.54%) per annum. These obligations have maturities ranging from 2019 to 2023.

Changes in liabilities arising from financing activities:

	At 1 January 2017 RM'000	Acquisition of subsidiaries (Note 19(b)) RM'000	Drawdown RM'000	Repayment RM'000	Exchange differences RM'000	Reclassification RM'000	At 31 December 2017 RM'000
Group							
Short term borrowings:							
Bankers' acceptances	2,490	-	2,790	-	-	-	5,280
Revolving credits	116,893	83,063	89,399	(50,389)	(14,153)	-	224,813
Bank loans	39,688	-	-	(39,176)	-	38,427	38,939
Obligations under finance lease	1,480	-	282	(1,279)	-	186	669
	160,551	83,063	92,471	(90,844)	(14,153)	38,613	269,701
Long term borrowings:							
Bank loans	182,315	-	-	-	-	(38,427)	143,888
Obligations under finance lease	659	-	-	-	-	(186)	473
	182,974	-	-	-	-	(38,613)	144,361
	343,525	83,063	92,471	(90,844)	(14,153)	-	414,062

24. Loans and borrowings (cont'd)

Changes in liabilities arising from financing activities: (cont'd)

	At 1 January 2017 RM'000	Drawdown RM'000	Repayment RM'000	Exchange differences RM'000	Reclassification RM'000	At 31 December 2017 RM'000
Company						
Short term borrowings:						
Revolving credits	81,807	41,184	(13,889)	(8,152)	-	100,950
Bank loans	34,848	-	(34,432)	-	33,093	33,509
	116,655	41,184	(48,321)	(8,152)	33,093	134,459
Long term borrowings:						
Bank loans	150,417	-	-	-	(33,093)	117,324
	267,072	41,184	(48,321)	(8,152)	-	251,783

24. Loans and borrowings (cont'd)

Changes in liabilities arising from financing activities: (cont'd)

Group	At 1 January 2018 RM'000	Drawdown RM'000	Repayment RM'000	Exchange differences RM'000	Reclassification RM'000	At 31 December 2018 RM'000
Short term borrowings:						
Bankers' acceptances	5,280	74,340	(73,221)	-	-	6,399
Revolving credits	224,813	35,713	(1,500)	3,891	-	262,917
Bank loans	38,939	-	(38,939)	-	170,342	170,342
Obligations under finance lease	669	-	(754)	-	585	500
	269,701	110,053	(114,414)	3,891	170,927	440,158
Long term borrowings:						
Bank loans	143,888	53,340	(26,886)	-	(170,342)	-
Obligations under finance lease	473	886	-	-	(585)	774
	144,361	54,226	(26,886)	-	(170,927)	774
	414,062	164,279	(141,300)	3,891	-	440,932

24. Loans and borrowings (cont'd)

Changes in liabilities arising from financing activities: (cont'd)

	At 1 January 2018 RM'000	Drawdown RM'000	Repayment RM'000	Exchange differences RM'000	Reclassification RM'000	At 31 December 2018 RM'000
Company						
Short term borrowings:						
Revolving credits	100,950	10,000	-	1,770	-	112,720
Bank loans	33,509	-	(33,509)	-	143,783	143,783
	134,459	10,000	(33,509)	1,770	143,783	256,503
Long term borrowings:						
Bank loans	117,324	53,340	(26,881)	-	(143,783)	-
	251,783	63,340	(60,390)	1,770	-	256,503

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

25. Trade and other payables

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Current				
Trade payables (Note a)				
Third parties	27,293	24,790	-	-
Other payables				
Amounts due to subsidiaries (Note b)	-	-	288,419	270,226
Sundry deposits	58	38	-	-
Accruals	7,171	3,620	1,072	1,008
Sundry payables	47,063	30,968	1,020	1,208
Malaysian GST payable	145	567	-	-
	54,437	35,193	290,511	272,442
	81,730	59,983	290,511	272,442
Non-current				
Other payables				
Amounts due to foreign subsidiaries' non-controlling interests (Note c)	111,886	119,831	-	-
Total trade and other payables (current and non-current)	193,616	179,814	290,511	272,442
Less: Malaysian GST payable	(145)	(567)	-	-
Add: Loans and borrowings (Note 24)	445,908	417,488	257,498	251,783
Total financial liabilities carried at amortised cost	639,379	596,735	548,009	524,225

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled within the trade credit terms granted to the Group ranging from 30 to 90 days (2017: 30 to 90 days).

(b) Amounts due to subsidiaries

These amounts are unsecured, repayable on demand and non-interest bearing except for RM16,018,000 (2017: RM10,830,000) which subject to interest charge at rates ranging from 5.20% to 8.10% (2017: 5.05% to 7.85%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

25. Trade and other payables (cont'd)

(c) Amount due to non-controlling interest

These amounts are unsecured, repayable by way of monthly instalment over 5 year period commencing 1 May 2021 and subject to interest charge at rates 2.5% (2017: 2.5%) per annum.

(d) Financial guarantees

The fair value of financial guarantees provided by the Company and its subsidiaries to the banks to secure banking facilities disclosed in Note 24 with nominal amount of RM311,262,000 (2017: RM307,968,000) is negligible as the probability of the financial guarantees being called upon is remote due to most of the carrying amounts of the outstanding loans and borrowings are adequately secured by property, plant and equipment and land use rights of the subsidiaries in which their market values upon realisation are higher than the outstanding loans and borrowings amounts.

26. Employee defined benefit liabilities

The subsidiaries in Indonesia operate unfunded defined benefit schemes for qualified permanent employees and the latest actuarial valuations of the plans were carried out on 31 December 2018.

The movement during the financial year and the amounts recognised in the financial statements are as follows:

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
At the beginning of financial year	2,918	723
Acquisition of subsidiaries (Note 19(b))	-	867
	2,918	1,590
Recognised in profit or loss (Note 9):		
Interest cost	141	112
Current service cost	1,027	1,196
Past service cost	107	168
Net liability released due to employee transferred out	-	(25)
	1,275	1,451
Recognised in OCI:		
Actuarial changes in financial assumptions	(307)	97
Experience adjustments	(19)	(201)
	(326)	(104)
Exchange differences	(113)	(19)
At the end of financial year	3,754	2,918

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

26. Employee defined benefit liabilities (cont'd)

The amounts recognised on the consolidated statement of financial position are determined as follows:

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Present value of obligations (non-current)	3,754	2,918

The principal actuarial assumptions used at the reporting date in determining the employee defined benefit obligation for the Group's plans are as follows:

	Group	
	31.12.2018 %	31.12.2017 %
Discount rate	8.15	7.04
Expected return of salary increase	6.00	6.00

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumptions on the employee defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

		Impact on employee defined benefit liabilities Increase/(decrease)	
		31.12.2018 RM'000	31.12.2017 RM'000
Discount rate	+1%	(163)	(184)
Discount rate	-1%	163	184
Future salary increases	+1%	188	159
Future salary decreases	-1%	(188)	(159)

27. Deferred tax

	As at 1 January 2017 (Restated) RM'000	Recognised in profit or loss (Restated) (Note 11) RM'000	Acquidition of subsidiaries (Restated) (Note 19(b)) RM'000	Exchange differences (Restated) RM'000	As at 31 December 2017 (Restated) RM'000	Recognised in profit or loss (Note 11) RM'000	Recognised in other comprehensive income RM'000	Exchange differences RM'000	As at 31 December 2018 RM'000
Group									
Deferred tax liabilities:									
Property, plant and equipment, land use rights and biological assets	37,391	472	39,108	(28)	76,943	(2,780)	77	(202)	74,038
Deferred tax assets:									
Unabsorbed capital and agriculture allowances	(9,242)	(2,087)	-	-	(11,329)	1,539	-	-	(9,790)
Unused tax losses	(9,553)	(1,091)	-	-	(10,644)	10,496	-	-	(148)
Provisions	(126)	-	-	-	(126)	(102)	-	-	(228)
	(18,921)	(3,178)	-	-	(22,099)	11,933	-	-	(10,166)
	18,470	(2,706)	39,108	(28)	54,844	9,153	77	(202)	63,872

27. Deferred tax (cont'd)

	As at 1 January 2017 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 31 December 2017 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 31 December 2018 RM'000
Company					
Deferred tax liability:					
Property, plant and equipment	54	(7)	47	(5)	42
Deferred tax asset:					
Unused tax losses	-	-	-	-	-
	54	(7)	47	(5)	42

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

27. Deferred tax (cont'd)

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(1,317)	(1,502)	-	-
Deferred tax liabilities	65,189	56,346	42	47
	63,872	54,844	42	47

Unrecognised deferred tax assets

Due to uncertainty of recoverability, deferred tax assets have not been recognised in respect of the following items which are available for offsetting against future taxable profits of the respective subsidiaries in which those items arose:

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Unused tax losses	178,786	93,592
Unabsorbed capital allowances	12,006	13,845
	190,792	107,437

The availability of unused tax losses and unabsorbed capital allowances of the Group for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other country is subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the other country in which the subsidiaries operate.

The unused tax losses in the foreign subsidiaries amounting to RM114,624,000 (2017: RM87,537,000) are available for carry forward in the jurisdiction in which the foreign subsidiaries operate for a period of 5 years from the year in which those tax losses arose.

28. Share capital and treasury shares

	Group/Company			
	Number of ordinary shares		Amount	
	31.12.2018 '000	31.12.2017 '000	31.12.2018 RM'000	31.12.2017 RM'000
Issued and fully paid:				
At the beginning/end of financial year	120,000	120,000	120,000	120,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

28. Share capital and treasury shares (cont'd)

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

During the financial year, the Company repurchased 16,900 (2017: 1,591,200) of its issued ordinary shares from the open market at an average price of RM1.96 (2017: RM2.37) per share. The total consideration paid for the repurchase including transaction costs was RM33,050 (2017: RM3,775,000). The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares.

	Group/Company	
	No. of Shares '000	Cost RM'000
At 1 January 2017	1,517	3,678
Purchase of treasury shares	1,591	3,775
At 31 December 2017	3,108	7,453
Purchase of treasury shares	17	33
At 31 December 2018	3,125	7,486

Subsequent to 31 December 2018, the Company repurchased 12,000 of its issued ordinary shares from the open market at an average price of RM1.86 per share. The total consideration paid for the repurchase including transaction costs was RM22,400. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Company Act 2016.

29. Retained earnings

The Company may distribute dividends out of its entire retained earnings under the single-tier system.

30. Foreign currency translation reserve

The foreign currency translation reserve represents 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

31. Commitments

(a) Capital commitments

Capital expenditure commitments as at the reporting date are as follows:

	31.12.2018 RM'000	31.12.2017 RM'000
Approved and contracted for:		
Construction of:		
- estate buildings and infrastructure	3,085	3,693
- mill buildings and infrastructure	8,334	1,061
	11,419	4,754

(b) Finance lease commitments

The Group has finance leases for certain property, plant and equipment as disclosed in Note 14. Future minimum lease payments under finance leases together with present value of minimum lease payments are as follows:

	31.12.2018 RM'000	31.12.2017 RM'000
Minimum lease payments:		
Not later than 1 year	557	700
Later than 1 year and not later than 2 years	342	351
Later than 2 years and not later than 5 years	505	135
Total minimum lease payments	1,404	1,186
Less: Amount representing finance charges	(130)	(44)
Present value of minimum lease payments	1,274	1,142
Present value of payments:		
Not later than 1 year	500	669
Later than 1 year and not later than 2 years	305	340
Later than 2 years and not later than 5 years	469	133
Present value of minimum lease payments	1,274	1,142
Less: Amount due within 12 months (Note 24)	(500)	(669)
Amount due after 12 months (Note 24)	774	473

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

31. Commitments (cont'd)

(c) Operating lease commitments – as lessee

The Group has entered into operating lease on certain buildings, with lease terms between 9 and 10 years.

Future minimum rental payable under non-cancellable operating leases as at 31 December are as follows:

	31.12.2018 RM'000	31.12.2017 RM'000
Future minimum rentals payable:		
Not later than 1 year	25	25
Later than 1 year and not later than 5 years	101	101
Later than 5 years	19	44
	145	170

(d) Operating lease commitments – as lessor

The Group has entered into operating lease on certain land and buildings, with lease terms between 2 and 10 years.

Future minimum rental receivable under non-cancellable operating leases as at 31 December are as follows:

	31.12.2018 RM'000	31.12.2017 RM'000
Future minimum rentals receivable:		
Not later than 1 year	322	301
Later than 1 year and not later than 5 years	1,201	1,199
Later than 5 years	328	629
	1,851	2,129

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

32. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties at terms agreed between the parties during the financial year:

	31.12.2018 RM'000	31.12.2017 RM'000
Group		
Transactions with a Director of the Company, Datuk Loo Ngin Kong:		
- Rental expense	16	16
- Purchase of fresh fruit bunches	9	26
Transactions with a Director of the Company, Dato' Loo Pang Kee:		
- Sale of a motor vehicle	-	(300)
Transactions with a company in which certain Directors of the Company, Datuk Loo Ngin Kong and Wong Siew Ying have interest:		
- Sale of fresh fruit bunches	(2,839)	(1,168)
Transactions with a company in which a Director of the Company, Dr. Edmond Fernandez has interest: Klinik Elopura Sdn. Bhd.		
- Medical expenses	28	26
- Rental income	(7)	(7)
Transactions with a company in which a Director of the Company, Tan Sri Dato' Sri Koh Kin Lip, *JP* has interest:		
- Purchase of quarry stones from Sukau Quarry Sdn. Bhd.	-	16

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

32. Related party transactions (cont'd)

(a) Sale and purchase of goods and services (cont'd)

	31.12.2018 RM'000	31.12.2017 RM'000
Company		
Transactions with subsidiaries:		
Purchasing handling expenses	14	15
Interest expense on advances	1,123	1,032
Interest income on advances	(25,884)	(30,033)
Hotel room expenses	46	11
Management fee income	(7,302)	(7,557)
Rental expense on premises	102	114
Transportation expenses	66	69
Dividend income from a subsidiary	-	(10,383)

(b) Compensation of key management personnel

The remuneration of the members of key management, who are also Directors during the financial year was as follows:

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Executive Directors' remuneration (Note 10)	4,174	4,145	2,983	3,292

33. Financial instruments

(a) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and of the Company's businesses whilst managing their interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk, credit risk and equity price risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and advances at floating rates given to/from related parties. The Company's advances at floating rate given to/from related parties form a natural hedge for its floating rate bank loans. All of the Group's and of the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of at least one month from the reporting date.

The Group's and the Company's policy is to manage finance costs using a mix of fixed and floating rate debts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

33. Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 (2017: 25) basis points lower/higher, with all other variables held constant, the Group's and the Company's profit before tax would have been RM1,112,000 (2017: RM1,041,000) and RM644,000 (2017: RM629,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on external floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The functional currencies of the Group entities are RM and Indonesian Rupiah ("IDR"). At the reporting date, the financial asset and liabilities of the Group and of the Company that are not denominated in the functional currency are as follows:

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Financial asset				
Cash and bank balances				
- IDR	377	388	7	7
- USD	6,061	5,578	1,853	2,096
Amounts due from subsidiaries (IDR)	-	-	437,164	432,884
	6,438	5,966	439,024	434,987
Financial liabilities				
Loans and borrowings (USD)	(200,873)	(176,299)	(82,913)	(81,140)
Other payable (USD)	(125,532)	(120,445)	-	-
	(326,405)	(296,744)	(82,913)	(81,140)

The Group is exposed to currency translation risk arising from its net investment in Indonesian subsidiaries. The Group's net investment in Indonesia subsidiaries is not hedged as currency position in IDR is considered to be long-term in nature.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in USD and IDR exchange rates, with all other variables held constant. The impact on the Group's and the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's and the Company's exposure to foreign currency changes for all other currencies is not material.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

33. Financial instruments (cont'd)

(c) Foreign currency risk (cont'd)

Sensitivity analysis for interest rate risk (cont'd)

	Profit before tax			
	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
RM/USD - strengthened 5%	16,017	14,558	4,053	3,952
- weakened 5%	(16,017)	(14,558)	(4,053)	(3,952)
RM/IDR - strengthened 5%	(19)	(19)	21,859	21,645
- weakened 5%	19	19	(21,859)	(21,645)

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group'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 objectives are to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness. At the reporting date, approximately 100% and 100% (2017: 65% and 53%) of the Group's and the Company's loans and borrowings respectively will mature in less than one year based on the carrying amounts reflected in the financial statements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2018				
Group				
Financial liabilities:				
Trade and other payables	81,585	90,073	32,754	204,412
Loans and borrowings	479,219	847	-	480,066
Total undiscounted financial liabilities	560,804	90,920	32,754	684,478
Company				
Financial liabilities:				
Trade and other payables	290,511	-	-	290,511
Loans and borrowings	287,801	-	-	287,801
Total undiscounted financial liabilities	578,312	-	-	578,312

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

33. Financial instruments (cont'd)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations (cont'd).

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2017				
Group				
Financial liabilities:				
Trade and other payables	59,416	65,508	57,319	182,243
Loans and borrowings	282,117	128,678	44,753	455,548
Total undiscounted financial liabilities	341,533	194,186	102,072	637,791
Company				
Financial liabilities:				
Trade and other payables	272,442	-	-	272,442
Loans and borrowings	141,828	94,400	41,432	277,660
Total undiscounted financial liabilities	414,270	94,400	41,432	550,102

(e) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group and the Company are exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's and the Company'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 and the Company'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 and the Company's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position; and

- The corporate guarantees provided by the Company and its subsidiaries to the banks at a nominal amount of RM311,262,000 (2017: RM307,968,000) to secure banking facilities as disclosed in Note 25(d).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

33. Financial instruments (cont'd)

(e) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the business segments of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables net of allowances for expected credit losses at the reporting date are as follows:

	2018		2017	
	RM'000	% of total	RM'000	% of total
By industry sectors:				
Plantation and mill	8,852	88%	6,503	90%
Hotel	1,235	12%	701	10%
	10,087	100%	7,204	100%

The Group uses ageing analysis to monitor the credit quality of trade receivables.

The Group performs credit rating assessment of all its counterparties in order to measure ECLs of trade receivables. This credit rating assessment considers quantitative assessment using the counterparties' customer's financial statements or a qualitative assessment of the counterparties customer, which includes but is not limited to their customer's reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the Group considers the loss given default and the probability of default assigned to each counterparty customer. The probability of default is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's historical experience.

At each reporting date, the Group and Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

(i) significant financial difficulty of the customer;
(ii) a breach of contract such as a default; and
(iii) it is probable that the customer will enter bankruptcy or other financial reorganisation.

In managing credit risk of trade receivables, the Group and the Company manage its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The ageing of trade receivables is disclosed in Note 21(a).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

33. Financial instruments (cont'd)

(f) Fair values

Determination of fair value

Set out below, is a comparison by classes of the carrying amounts and fair values of the financial instruments, other than those with carrying amounts are reasonable approximate of fair value:

	31.12.2018		31.12.2017	
	Carrying amount RM'000	Fair Value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Obligations under finance leases	1,274	1,197	1,142	1,080

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	21
Loans and borrowings	24
Trade and other payables	25

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date as the impact of discounting is immaterial.

Financial guarantees

Fair value 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.

34. Capital management

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

34. Capital management (cont'd)

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is total loans and borrowings less cash and bank balances divided by equity attributable to equity holders of the parent. The Group's policy is to maintain net gearing ratio at an acceptable level with reference to the loan covenants imposed by lending banks.

The calculation of the Group's and Company's gearing ratios is as follows:

		Group		Company	
	Note	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Loans and borrowings	24	445,908	417,488	257,498	251,783
Less: Cash and bank balances	22	(12,443)	(15,885)	(4,807)	(5,828)
Net debt		433,465	401,603	252,691	245,955
Equity attributable to the equity holders of the parent, representing total capital		262,595	322,768	132,808	193,933
Net gearing ratio		165%	124%	190%	127%

35. Segment information

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

(a) The plantation and milling segment is involved in cultivation and sale of oil palm products.

(b) The fishery segment is involved in fish rearing, hatchery and sale of fishes.

(c) The hotelier segment is involved in hotel operations.

(d) The corporate segment is involved in Group-level corporate services, treasury and purchasing functions and business investments.

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

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

Transfer prices between operating segments are at terms agreed between the parties during the financial year.

35. Segment Information (contd.)

Business segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

	Plantation and milling		Fishery		Hotelier		Corporate		Adjustments and eliminations			Per consolidated financial statements	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	Note	2018 RM'000	2017 RM'000
Revenue													
External customers	219,405	239,355	-	-	8,964	7,622	-	-	-	-		228,369	246,977
Inter-segment	-	-	-	-	48	11	7,591	7,557	(7,639)	(7,568)	A	-	-
Total revenue	219,405	239,355	-	-	9,012	7,633	7,591	7,557	(7,639)	(7,568)		228,369	246,977
Results													
Interest income	(5,403)	(501)	-	-	(18)	(47)	(58)	(5,371)	-	-		(5,479)	(5,919)
Depreciation and amortisation	35,372	26,501	273	302	1,272	1,292	132	133	-	-	B	37,049	28,228
Other non-cash expenses/ (income)	3,562	(29,067)	-	-	-	-	13,403	1,406	-	-	C	16,965	(27,661)
Segment (loss)/ profit before tax	(13,361)	3,367	(30)	(61)	1,882	382	(29,626)	29,807	(9,091)	(13,370)	D	(50,226)	20,125
Assets													
Additions to non-current assets	48,092	362,449	-	8	531	157	4,669	52	-	-	E	53,292	362,666
Segment assets	915,738	931,491	5,465	5,696	33,033	34,336	14,735	21,426	2,110	2,536	F	971,081	995,485
Segment liabilities	186,088	172,906	7	7	846	966	10,429	8,853	511,784	475,826	G	709,154	658,558

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

35. Segment information (cont'd)

A Inter-segment revenues are eliminated on consolidation.

B Depreciation and amortisation consist of:

	Note	31.12.2018 RM'000	31.12.2017 RM'000
Property, plant and equipment	8	35,471	27,398
Investment property	8	13	40
Land use rights	8	1,565	790
		37,049	28,228

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

	Note	31.12.2018 RM'000	31.12.2017 RM'000
Employee defined benefits liabilities	9	1,275	1,451
Gain on disposal of property, plant and equipment	6	(171)	(11,188)
Gain on disposal of a subsidiary	6	-	(23,464)
Impairment loss on other receivables			
- current		286	72
- non-current		817	2,899
Loss on disposal of property, plant and equipment	8	-	18
Net fair value changes of biological assets	8	915	271
Property, plant and equipment written off	8	440	874
Unrealised loss on foreign exchange	8	13,403	1,406
		16,965	(27,661)

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

	Note	31.12.2018 RM'000	31.12.2017 RM'000
Finance costs	7	16,988	12,026
Unallocated corporate expenses		(7,897)	1,344
		9,091	13,370

E Additions to non-current assets consist of:

	Note	31.12.2018 RM'000	31.12.2017 RM'000
Property, plant and equipment	14	47,351	323,172
Land use rights	16	5,941	39,494
		53,292	362,666

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

35. Segment information (cont'd)

F The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Note	31.12.2018 RM'000	31.12.2017 RM'000
Deferred tax assets	27	1,317	1,502
Tax recoverable		793	1,034
		2,110	2,536

G The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Note	31.12.2018 RM'000	31.12.2017 RM'000
Deferred tax liabilities	27	65,189	56,346
Income tax payable		687	1,992
Loans and borrowings	24	445,908	417,488
		511,784	475,826

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	162,000	209,158	282,566	296,724
Indonesia	66,369	37,819	588,108	584,991
	228,369	246,977	870,674	881,715

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

35. Segment information (cont'd)

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	31.12.2018 RM'000	31.12.2017 RM'000
Property, plant and equipment	773,713	785,019
Investment property	1,044	1,057
Land use rights	63,461	63,119
Intangible asset	32,456	32,520
	870,674	881,715

Information about major customers

Revenue from four (2017: four) major customers amounting to RM167,679,000 (2017: RM187,960,000) was accounted for in the plantation and mill segment in the form of sale of crude palm oil and palm kernel.

36. Adjustment arising from finalisation of initial provisional accounting estimates and effects on comparatives

On 3 August 2017, a wholly-owned subsidiary, Miasa Plantation Sdn. Bhd. has completed the acquisition of the 74% equity interest in PT Sawit Nusantara Makmur Utama and its subsidiaries ("SNMU Group"), an unlisted limited liability company incorporated in Indonesia and principally involved in investment holding with its subsidiaries principally involved in operation of oil palm plantation. The Group had then undertaken a purchase price allocation exercise. The goodwill on acquisition was then provisionally estimated in the previous financial year at RM30,156,000 and included in the consolidated statement of financial position. As permitted by MFRS 3: Business Combinations, the provisional goodwill estimated in the previous financial year was reviewed during the financial year, and the final purchase price allocation ("PPA") was determined after completion of a final analysis. The identifiable assets at fair value, non-controlling interests and the dilution of existing subsidiaries purchase consideration transferred have been revised as at the date of acquisition, and goodwill arising from this business combination has been revised to RM27,734,000. This revision is accounted for retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

36. Adjustment arising from finalisation of initial provisional accounting estimates and effects on comparatives (cont'd)

As a result of the above, certain comparative amounts as at 31 December 2017 have been adjusted and disclosed below:

	As at 31.12.2017 under MFRS (Note 2.2) RM'000	Effect of finalisation of PPA RM'000	As at 31.12.2017 (Restated) RM'000
Assets			
Non-current assets			
Property, plant and equipment	794,164	(9,145)	785,019
Investment property	1,057		1,057
Land use rights	63,119		63,119
Intangible assets	34,942	(2,422)	32,520
Other receivables	41,928	(6,295)	35,633
Deferred tax assets	1,502		1,502
	936,712		918,850
Current assets			
Inventories	22,445		22,445
Biological assets	3,143		3,143
Trade and other receivables	26,136		26,136
Prepayments	7,992		7,992
Tax recoverable	1,034		1,034
Cash and bank balances	15,885		15,885
	76,635		76,635
Total assets	1,013,347		995,485

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (cont'd)

36. Adjustment arising from finalisation of initial provisional accounting estimates and effects on comparatives (cont'd)

As a result of the above, certain comparative amounts as at 31 December 2017 have been adjusted and disclosed below: (cont'd)

	As at 31.12.2017 under MFRS (Note 2.2) RM'000	Effect of finalisation of PPA RM'000	As at 31.12.2017 (Restated) RM'000
Equity and liabilities			
Current liabilities			
Loans and borrowings	273,127		273,127
Trade and other payables	59,983		59,983
Income tax payable	1,992		1,992
	335,102		335,102
Non-current liabilities			
Loans and borrowings	144,361		144,361
Other payables	119,831		119,831
Employee defined benefit liabilities	2,918		2,918
Deferred tax liabilities	58,632	(2,286)	56,346
	325,742		323,456
Total liabilities	660,844		658,558
Equity attributable to equity holders of the parent			
Share capital	120,000		120,000
Treasury shares	(7,453)		(7,453)
Retained earnings	228,642	(11,622)	217,020
Foreign currency translation reserve	(6,799)		(6,799)
	334,390		322,768
Non-controlling interests	18,113	(3,954)	14,159
Total equity	352,503		336,927
Total equity and liabilities	1,013,347		995,485

SHAREHOLDINGS STATISTICS
AS AT 29 MARCH 2019

SHARE CAPITAL

Paid-Up & Issued Share Capital	:	120,000,000 (including treasury shares of 3,137,200)
Type of Shares	:	Ordinary shares
No. of shareholders	:	852
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of holdings	No. of Holders	% of Holders	Total Holdings	% of Holdings
1 to 99	42	4.93	581	0.00
100 to 1,000	570	66.90	111,108	0.10
1,001 to 10,000	173	20.31	692,752	0.59
10,001 to 100,000	28	3.29	856,851	0.73
100,001 to 5,986,514*	33	3.87	44,111,662	37.75
5,986,515 and above**	6	0.70	71,089,846	60.83
Total	852	100.00	116,862,800	100.00

Notes: * Less than 5% of issued holdings
** 5% and above of issued holdings

SUBSTANTIAL SHAREHOLDERS

According to the Register maintained under Section 144 of the Companies Act 2016, the substantial shareholders' interests in shares of the Company (excluding bare trustees) are as follows:-

	Ordinary shares				
	Direct interests	%	Indirect interests		%
Jubilant Ventures Sdn Bhd	38,400,000	32.86	-		-
Tan Sri Dato' Sri Koh Kin Lip, *JP*	19,783,344	16.93	2,887,350	*1	2.47
Dato' Loo Pang Kee	12,945,406	11.08	38,400,000	*2	32.86
Datuk Loo Ngin Kong	4,166,724	3.57	4,909,000	*3	4.20
Wong Siew Ying	2,471,284	2.11	4,909,000	*4	4.20

Notes:

*1: Deemed interest via shareholdings of Rickoh Corporation Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016 and via shareholdings of his daughter, Koh Se Gay, in the Company.

*2: Deemed interest via shareholdings of Jubilant Ventures Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016.

*3: Deemed interest via shareholdings of his children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.

*4: Deemed interest via shareholdings of her children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.

SHAREHOLDINGS STATISTICS
AS AT 29 MARCH 2019 (cont'd)

DIRECTORS' INTERESTS

According to the Register maintained under Section 59 of the Companies Act 2016, the directors' interests in shares of the Company are as follows:-

	Ordinary shares of RM1.00 each				
	Direct interests	**%**	**Indirect interests**		**%**
Name of Directors					
Datuk Loo Ngin Kong	4,166,724	3.57	4,909,000	*1	4.20
Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood	1	0.00	-		-
Dato' Loo Pang Kee	12,945,406	11.08	38,400,000	*2	32.86
Wong Siew Ying	2,471,284	2.11	4,909,000	*3	4.20
Lim Ted Hing	804,000	0.69	-		-
Dr. Edmond Fernandez	150,000	0.13	-		-
Tan Sri Dato' Sri Koh Kin Lip, *JP*	19,783,344	16.93	2,887,350	*4	2.47
Tan Vun Su	1	0.00	-		-

Notes:

*1: Deemed interest via shareholdings of his children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.

*2: Deemed interest via shareholdings of Jubilant Ventures Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016.

*3: Deemed interest via shareholdings of her children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.

*4: Deemed interest via shareholdings of Rickoh Corporation Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016 and via shareholdings of his daughter, Koh Se Gay, in the Company.

SHAREHOLDINGS STATISTICS

AS AT 29 MARCH 2019 (cont'd)

Thirty (30) Largest Securities Account Holders as at 29 March 2019

No.	Name	No. of Shares Held	%
1	Jubilant Ventures Sdn Bhd	25,000,000	21.39
2	CIMB Group Nominees (Asing) Sdn Bhd Exempt An for DBS Bank Ltd (SFS-PB)	13,592,250	11.63
3	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged securities account for Jubilant Ventures Sdn Bhd	11,900,000	10.18
4	Dato' Loo Pang Kee	7,847,596	6.72
5	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, *JP*	6,750,000	5.78
6	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, *JP*	6,000,000	5.13
7	Maybank Nominees (Tempatan) Sdn Bhd Amanahraya Investment Management Sdn Bhd for Mutual Yield Sdn Bhd (C318-240203)	5,452,500	4.67
8	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad for Dato' Loo Pang Kee	5,097,810	4.36
9	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Tan Sri Dato' Sri Koh Kin Lip, *JP* (MY0502)	3,715,000	3.18
10	Datuk Loo Ngin Kong	3,166,724	2.71
11	Loo Pang Chieng	2,870,000	2.46
12	Seah Sen Onn @ David Seah	2,820,000	2.41
13	Wong Siew Ying	2,371,284	2.03
14	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Junior Koh Siew Hui	2,043,700	1.75
15	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, *JP* (8058900)	2,000,000	1.71
16	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Lai Ming Chun @ Lai Poh Lin	2,000,000	1.71

SHAREHOLDINGS STATISTICS

AS AT 31 MRACH 2017 (cont'd)

Thirty (30) Largest Securities Account Holders as at 29 March 2019 (cont'd)

No.	Name	No. of Shares Held	%
17	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad for Jubilant Ventures Sdn Bhd	1,500,000	1.28
18	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Rickoh Corporation Sdn Bhd (MY0507)	1,500,000	1.28
19	Alliance Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, *JP*	1,318,344	1.13
20	Loo Pang How	1,300,000	1.11
21	Datuk Loo Ngin Kong	1,000,000	0.86
22	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rickoh Corporation Sdn Bhd	1,000,000	0.86
23	Loo Mun May	739,000	0.63
24	Lim Ted Hing	604,000	0.52
25	Koh Siew Boon	515,800	0.44
26	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Tan Kiong (E-SDK)	352,100	0.30
27	Rickoh Corporation Sdn Bhd	317,350	0.27
28	Citigroup Nominees (Asing) Sdn Bhd Exempt An For UBS AG Singapore (Foreign)	314,000	0.27
29	Rosalind Lo Nyit Ying	290,000	0.25
30	Seah Sen Onn @ David Seah	268,000	0.23

LIST OF PROPERTIES AS AT 31 DECEMBER 2018

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2018 RM	Date Acquired
PLANTATION LAND						
Sabah						
Growth estate, KM 70, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	183.05	99 years lease expiring 31 December 2077 and 31 December 2078	N/A	Oil palm plantation	3,554,915	2002
Soon Tai estate, KM 71, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	38.03	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	944,836	2002
Jejco estate, KM 71, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	40.71	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	1,144,527	2002
Bintang estate, KM 71, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	195.47	99 years lease expiring 31 December 2078	N/A	Oil palm plantation	4,194,369	2002
SROPP estate, KM 73, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	224.94	99 years lease expiring 31 December 2077 and 31 December 2080	N/A	Oil palm plantation	2,821,780	2002
Teh & Yoon estate, KM 75, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	242.81	99 years lease expiring 31 December 2077 and 31 December 2079	N/A	Oil palm plantation	2,346,871	2005

LIST OF PROPERTIES AS AT 31 DECEMBER 2018 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2018 RM	Date Acquired
PLANTATION LAND (cont'd)						
Sabah (cont'd)						
Ballerina estate, KM 80, Sandakan-Telupid-Kota Kinabalu Highway, District of Kinabatangan, Sabah	163.13	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	3,040,770	2002
Sebuda estate, KM 80, Sandakan-Telupid-Kota Kinabalu Highway, District of Kinabatangan, Sabah	316.00	99 years lease expiring 31 December 2078	N/A	Oil palm plantation	6,658,898	2002
Telupid estates, KM 80 & KM 100, Sandakan-Telupid-Kota Kinabalu Highway, Districts of Kinabatangan & Labuk-Sugut, Sabah	1,379.95	99 years lease expiring 31 December 2078	N/A	Oil palm plantation	20,884,050	2002
Berkat estate, Mile 62, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	101.71	99 years lease expiring 31 December 2096	N/A	Oil palm plantation	1,186,844	2002 & 2005
Bonus Indah estate, KM 111, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	999.60	99 years lease expiring 31 December 2091	N/A	Oil palm plantation	15,342,336	2002
Berkat estate, KM 111, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	432.50	99 years lease expiring 31 December 2083 and 31 December 2093	N/A	Oil palm plantation	6,330,630	2002
Kian Merculaba estate, KM 113, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	498.40	99 years lease expiring 31 December 2091	N/A	Oil palm plantation	5,406,528	2003

LIST OF PROPERTIES AS AT 31 DECEMBER 2018 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2018 RM	Date Acquired
PLANTATION LAND (cont'd)						
Sabah (cont'd)						
Sinar Ramai estate, KM 143, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	192.30	99 years lease expiring 31 December 2086	N/A	Oil palm plantation	2,706,858	2002
Intan Ramai estate, KM 143, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	228.10	99 years lease expiring 31 December 2086	N/A	Oil palm plantation	3,289,939	2002
Deltafort estate, KM 87, Segaliud Lokan, District of Kinabatangan, Sabah	400.30	99 years lease expiring 31 December 2087	N/A	Oil palm plantation & plantable reserve	6,079,433	2002
SROPP estate, KM30 Labuk Road, District of Sandakan, Sabah	39.02	99 years lease expiring 31 December 2060	N/A	Durian orchard	1,454,731	2002
Permata Alam estate, KM87, Sandakan-Lahad Datu Highway, District of Kinabatangan, Sabah	200.30	99 years lease expiring 31 December 2085	N/A	Oil palm plantation	2,231,872	2003
Sungai Kenali estate, KM87, Sandakan-Lahad Datu Highway, District of Kinabatangan, Sabah	197.90	99 years lease expiring 31 December 2085	N/A	Oil palm plantation	1,236,274	2003
Banggi estate, CL055324797 & PL056290085, Pulau Banggi District of Kudat, Sabah	4,008.82	99 years lease expiring 31 December 2068	N/A	Oil palm plantation	109,095,802	2012

LIST OF PROPERTIES AS AT 31 DECEMBER 2018 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2018 RM	Date Acquired
PLANTATION LAND (cont'd)						
Indonesia						
Enggang Estates Kecamatan Tabang and Kembang Janggut, Kabupaten Kutai Kartanegara, Kalimantan Timur, Indonesia	8,482.30	35 years HGU expiring 8 February 2045	N/A	Oil palm plantation & plantable reserve	33,722,966	2010
Nala Estates Desa Senambah, Mulupan, Ngayau, Muara Bengkal and Benua Baru, Kecamatan Muara Bengkal, Kabupaten Kutai Timur, Kalimantan Timur, Indonesia	14,792.53	35 years HGU expiring 22 November 2045	N/A	Oil palm plantation & plantable reserve	113,414,551	2013
Hamparan Estates Desa Menamang Kanan, Menamang Kiri, Kecamantan Muara Kaman, Kabupaten Kutai Kartanegara, Kalimantan Timur, Indonesia	10,364.01	35 years HGU expiring 3 March 2049	N/A	Oil palm plantation	296,034,711	2017
Sumber Estates Desa Senyiur, Kecamatan Muara Ancalong, Kabupaten Kutai Timur, Kalimantan Timur, Indonesia	8,987.56	35 years HGU expiring 4 January 2048	N/A	Oil palm plantation & plantable reserve	33,648,129	2017

LIST OF PROPERTIES AS AT 31 DECEMBER 2018 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2018 RM	Date Acquired
OTHER LANDED PROPERTIES						
Sabah						
Ballerina, 2 adjoining double storey shophouses with a built-up area of 782.13m², Lot 8 & 9, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	395.55m²	999 years lease expiring 9 July 2887	44	Office buildings	811,258	2002
Ballerina, 1 double storey shophouse with a built-up area of 391.07m², Lot 11, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	197.78 m²	999 years lease expiring 9 July 2887	44	Office building	238,148	2003
Berkat, 1 double storey detached house, Lot 134, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	11,120 sq ft	999 years lease expiring 9 July 2887	36	Employees' accomodation	514,871	2007
Berkat palm oil mill, with a built-up area of 4,193.80m², KM 70, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	4.05	60 years lease expiring 31 December 2044	33	Palm oil mill	4,418,178	2002
Palace Hotel, 8 storey hotel building with 151 rooms and ancillary buildings together with hotel facilities, an open car park for visitors and a staff quarter with total floor area of 8,673 m², No. 1, Jalan Tangki, Karamunsing, Kota Kinabalu, Sabah	1.789	999 years lease expiring 31 December 2907, 12 June 2913 and 2 October 2915 and 99 years lease expiring 28 April 2065	24	Hotel	27,812,312	2007 & 2008

LIST OF PROPERTIES AS AT 31 DECEMBER 2018 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2018 RM	Date Acquired
OTHER LANDED PROPERTIES (cont'd)						
Sabah (cont'd)						
Better Prospects, Sungai Obar, Mile 7, Off Airport Road, 90000 Sandakan, Sabah	16.31	99 years lease expiring 31 December 2077	10	Fish ponds, hatchery & nursery building	5,198,622	2007, 2008 & 2012
Sungai Kenali, a single storey bungalow, House No. 440, Jalan Sang Kancil Satu, Turnbull Place, Off Jalan Tuaran, District of Kota Kinabalu, Sabah	0.18 acres	99 years lease expiring 02 November 2058		Employees' accomodation	1,228,794	2014
Transglobe Enterprise, 1 parcel of land at Kg. Kapayan, District of Penampang, Sabah	0.72 acres 1.00 acres	Sublease expiring 03 April 2047 Sublease expiring 22 May 2047	N/A	Rental	6,476,435	2017
Miracle Display, 1 parcel of land at Kiangsam Inanam, District of Kota Kinabalu, Sabah	12.50 acres	Sublease expiring 22 January 2048	N/A	Vacant	4,416,136	2018
Indonesia						
Nala Mill Desa Senambah, Kecamatan, Muara Bengkal, Kabupaten Kutai Timur, Kalimantan Timur, Indonesia	30	20 years HGB expiring 04 August 2037	3	Palm oil mill	39,072,601	Construction completed in June 2016
TOTAL					**766,959,975**	

NPC Resources Berhad

PROXY FORM

I/We, ____

of ____

being a member/members of NPC RESOURCES BERHAD, hereby appoint ______________________

of ____

or failing him, ____

of ____

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company, to be held at the Conference Room 3, 6th Floor, The Palace Hotel, No. 1, Jalan Tangki, Karamunsing, 88100 Kota Kinabalu, Sabah, on Tuesday, 28 May 2019 at 10.00 am or any adjournment thereof.

I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereinunder indicated.

No.	Resolution	FOR	AGAINST
1	To re-elect Dato' Loo Pang Kee as Director.		
2	To re-elect Mr. Lim Ted Hing as Director.		
3	To re-elect Dr. Edmond Fernandez as Director.		
4	To approve the payment of Directors' fees.		
5	To approve the payment of allowances to Non-Executive Directors.		
6	To re-appoint Messrs Ernst & Young as Auditors and to authorize the Directors to fix their remuneration.		
7	To retain Mr. Lim Ted Hing as Independent Non-Executive Director.		
8	To retain Dr. Edmond Fernandez as Independent Non-Executive Director.		
9	To retain Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood as Independent Non-Executive Director.		
10	Authority to issue shares pursuant to Section 76 of the Companies Act 2016.		
11	Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
12	Proposed Renewal of Share Buy-Back Authority.		
13	Proposed Adoption of A New Constitution.		

(Please indicate with an "x" in the appropriate box against each resolution how you wish your proxy to vote. If this form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit).

Dated this ________ day of ____________ 2019

NO. OF SHARES HELD	

____

Signature(s) of Member(s)

Notes:

a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.

b) A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same Meeting, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

c) 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 nominees may appoint in respect of each omnibus account it holds.

d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, either under its Common Seal or the hands of its officers or attorney duly authorised.

e) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah, not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

Fold this flap for sealing

Affix
Stamp

The Company Secretary
NPC RESOURCES BERHAD (Company No. 502313-P)
Lot 9, T3
Taman Tshun Ngen
Mile 5, jalan Labuk
90000 Sandakan
Sabah

Then fold here

NPC RESOURCES BERHAD
(Company No: 502313-P)
Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk,
90000 Sandakan, Sabah, MALAYSIA
T: 6 089 274 488   F: 6 089 226 711   E: info@npc.com.my
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