

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") of Subur Tiasa Holdings Berhad ("Subur Tiasa" or the "Company") subscribes and supports the Malaysian Code on Corporate Governance 2012 ("Code") and the relevant provisions in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). The Board is committed to ensuring that the highest standard of corporate governance is founded on core values such as accountability, transparency and integrity is practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

Subur Tiasa acknowledges that corporate governance is a continuous process that requires periodic reassessment and refinement of Management practices and systems.

Set out below is a statement of how the Group has applied the principles of the Code and the extent to which it has observed the Recommendations of the Code, except where it was stated otherwise.

1 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Functions of the Board of Directors ("Board") and Management

The Board acknowledges its leadership role in the direction and business operations of the Group toward enhancing shareholders' value and ensuring long term sustainable development and growth of the Group.

The Board delegates the authority to the Group Managing Director who is supported by the senior management team in achieving the corporate objectives. The Group Managing Director remains accountable to the Board for the performance of the Group.

The Board also delegates specific responsibilities to Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, all of which operate within defined terms of reference. All Board Committees do not have executive power but report to the Board on all matters considered and the ultimate responsibility for decision making on recommendations presented by the Board Committees lies with the Board.

1.2 Roles and Responsibilities of the Board

An effective Board leads and controls the Group. To ensure that the direction and control of the Group is firmly in its own hands, the Board reserves appropriate strategic, financial and organizational matters for its collective decision and/or monitoring. The Board meets at least four (4) times a year, with additional meetings convened as necessary. All Independent Directors bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

The following are among the key responsibilities of the Board:

- a) reviewing, approving and monitoring the strategic direction of Group;
- b) overseeing and evaluating the conduct and performance of the Group's business including its control and accountability systems;
- c) identifying and managing principal risks affecting the Group;
- d) approving policies relating to investors relations programme and shareholder communication and overseeing stakeholders communications;
- e) reviewing the adequacy and integrity of the Group's internal controls and management information system;
- f) providing input into and final approval of the annual operating budget;
- g) approving major capital expenditure, capital management and acquisition or divestitures;
- h) reviewing and monitoring systems of risk management and internal compliance controls, code of conduct, continuous disclosure, legal compliance and other significant corporate policies; and
- i) ensuring that appropriate plans is in place to provide for the succession of the Group.

Upon invitation, management representatives were present at the Board's meetings and Board Committees' meetings to provide additional insight into matters to be discussed during the meetings.

CORPORATE GOVERNANCE STATEMENT (cont'd)

1.3 Ethical Standards through Code of Conduct

The Board has adopted a Code of Conduct which set out the standards of business conduct and ethical behaviour for Directors in the performance and exercise of their duties and responsibilities as Directors of the Company. A summary of the Code of Conduct is available on the Company's website at www.suburtiasa.com.my.

The Board has also adopted a Whistleblowing Policy which aims to encourage reporting by employees in good faith, of any suspected and/or known instances of misconduct, wrongdoings, corruption, fraud, waste and/or abuse involving the resources of the Group and the employees making such reports will be protected from reprisal.

1.4 Business Sustainability

The Board is mindful of the importance of business sustainability and the impact on the environment, social and governance aspects in conducting the business is taken into consideration. Subur Tiasa Group also embraces sustainability in its operations and supply chain, through its own actions as well as in partnership with its stakeholders including suppliers, customers and other organisations.

The Group's activities to promote sustainability during the financial year under review are also disclosed in the report of the Corporate Social Responsibility set out on pages 14 to 17 of this annual report.

1.5 Access to Information and Advice

Management has an obligation to provide the whole Board with complete, well-focused and adequate information of which it is aware of in order to discharge the Board's responsibilities. The Board therefore expects to receive timely advice on all material information about the Group, its operating units, its activities and performance, particularly any significant variances from a planned course of progress. As a general rule, the agendas and papers on subjects discussed during Board meetings are disseminated to the Board in a timely manner prior to the Board meetings to accord sufficient time for their review, consideration and to seek clarifications (if any) so as to enable them to participate effectively in Board deliberations and decisions making. This, in turn, enables the time at the Board meeting to be conserved and used for focused discussion. All Directors have the rights and duty to make further enquiries whenever necessary.

The Board may seek independent professional advice at the Group's expense, in the furtherance of their duties to make well-informed decisions.

1.6 Company Secretaries

All Directors have full access to the advice and services of the Company Secretaries at all times.

The Company Secretaries are qualified secretaries as required pursuant to the Malaysian Companies Act, 1965. The Company Secretaries are the members of the Malaysian Institute of Accountants (MIA) and Malaysian Association of Institute of Chartered Secretaries and Administrators (MAICSA). They are competent in carrying out their work and play supporting and advisory roles to the Board. They ensure adherence and compliance to the procedures and regulatory requirements from time to time.

The Company Secretaries attend all Board and Board Committees meetings and ensure that all the meetings are convened in accordance with Board procedures and terms of reference of the Board Committees. All proceedings, matters arising, deliberations, in terms of the issues discussed, and resolutions at the Board's meetings and Board Committees' meetings are properly recorded in the minutes by the Company Secretaries, confirmed by the Board and Board Committees, and signed by their respective Chairman.

CORPORATE GOVERNANCE STATEMENT (cont'd)

The Company Secretaries also ensure that the Company complies with all applicable statutory and regulatory requirements. They communicate with management on Board's decision, liaising with auditors, lawyers, bankers, tax agents, shareholders and other stakeholders in respect of company secretarial and compliances matters. The appointment and removal of Company Secretaries is a matter for the Board to consider as a whole.

1.7 Board Charter

The Board has adopted a Board Charter which provides Directors with greater clarity regarding the role of the Board, the requirements of Directors in carrying out their role and discharging their duties to the Company and the Board's operating practices. The Board Charter is reviewed and updated annually in line with changes in the expectations of the investing public and stakeholders of the Company in general and the guidelines issued by the regulatory authorities from time to time.

The summary of the Board Charter is accessible through the Company's website at www.suburtiasa.com.my.

2. STRENGTHEN COMPOSITION

2.1 Nomination Committee

The Board has on 19 June 2003 set up a Nomination Committee and members of the Nomination Committee for the financial year ended 31 July 2016 are as follows:

Chairperson	Madam Ngu Ying Ping	Senior Independent Director
Member	Mr. Tiong Kiong King	Non-Independent Non-Executive Director
Member	Mr. Tiong Ing Ming	Independent Director

The Nomination Committee shall consist of not less than three (3) members, all of whom shall be non-executive directors and a majority of whom are independent.

The terms of reference of the Nominating Committee is available at the Company's website at www.suburtiasa.com.my

The activities carried out by the Nomination Committee during the financial year ended 31 July 2016 are as follows:

- (a) reviewed the mix of skills, experience and other qualities required for the Board;
- (b) evaluated the performance and effectiveness of the Board and Board Committee including contribution of each individual director, as well as the Senior Finance Manager;
- (c) assessed the independence of the Independent Directors;
- (d) assessed the Directors who are due for retirement and re-appointment pursuant to the Company's Articles of Association and the Companies Act, 1965;
- (e) assessed the independent director who has served for more than nine (9) years to be retained as independent director;
- (f) assessed the training needs of Directors;
- (g) reviewed evaluation forms for the Board and Board Committee;
- (h) reviewed criteria for recruitment process and annual assessment of Directors; and
- (i) reviewed Board Diversity Policy.

The Nominating Committee meets as and when required. One meeting was held during the financial year ended 31 July 2016 and was attended by all the members.

CORPORATE GOVERNANCE STATEMENT (cont'd)

2.2 Criteria for Recruitment and Annual Assessment of Directors

The Code endorses, as good principles, a formal and transparent procedure for appointment of Directors to the Board, where the Nomination Committee shall recommend to the Board the suitable candidates to be appointed. The Code, however, states that the Board as a whole may perform this procedure, although, as a matter of good corporate governance, it is recommended that this responsibility be delegated to an independent committee.

The Nomination Committee is responsible to recommend the identified candidate to the Board if there is vacancy arises from resignation, retirement or any other reasons or if there is a need to appoint additional director with the required skill or profession to the Board.

The assessment or evaluation process on the proposed candidate may include, at the Nomination Committee's discretion, reviewing of the candidate resume, curriculum vitae and other biographical information, confirming the candidate's qualifications and conducting legal and other background searches as well as formal or informal interview at the Nomination Committee's discretion. The Nomination Committee would also assess the candidate's integrity, wisdom, independence, ability to make independent and analytical inquiries, ability to work as a team to support the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties of the Board.

Upon completion of the assessment and evaluation of the proposed candidate, the Nomination Committee would make its recommendation to the Board for their evaluation and decision on the appointment of the proposed candidate. The Nomination Committee is responsible to ensure that the procedures for appointing any new Directors are transparent and their evaluation should be based on their merits, qualification, experience, skill, competency and knowledge. The Company Secretaries are to ensure that all appointments of new Director are properly carried out and all legal and regulatory obligations are met.

The Board, through its Nomination Committee has conducted an annual evaluation on the effectiveness of the Board and its Committees and annual assessment of Senior Finance Manager. All assessments and evaluations carried out by the Nomination Committee are properly documented. The Board is generally satisfied with the current mix of skills and quantities of Directors, the performance, effectiveness and composition of the Board and its Committees. The current Board size and composition is well-balanced. The Directors and the Senior Finance Manager have the character, experience, integrity, competence and time to effectively discharge their respective roles.

The Board has adopted a gender diversity policy and target. The Board currently has two (2) female Directors namely YBhg. Dato' Tiong Ing and Madam Ngu Ying Ping. The Board will ensure that women candidates are sought as part of its recruitment exercise should the needs arise in the future.

The Board believes that the Directors with diverse age profile will be able to provide a different perspective and bring vibrancy to the Group's strategy making process. The age profile of the Directors were ranging from fifties to sixties years of age, which underlies the Board's commitment to age diversity at the Board level appointment. This creates an environment where each generation brings different skills, experience and talent to the Board.

The Board is aware of the importance boardroom diversity including diversity in ethnicity and age to maintain an optimal board balance. However, the Board is of the view that the selection criteria of a Director, based on the candidates' competency, skills, character, knowledge and experience should remain a priority. The Board has also reviewed and adopted workforce diversity policy. The Group embraces diversity at workplaces and does not allow any form of discrimination practice in the Group.

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to re-election by shareholders at the ensuing Annual General Meeting ("AGM") after their appointment.

CORPORATE GOVERNANCE STATEMENT (cont'd)

In addition, in accordance with the Company's Articles of Association and in compliance with the Listing Requirements, the remaining Directors, including the Managing Director shall retire from office at least once in every three (3) years, but shall be eligible for re-election. The Articles provide that one-third (1/3) of the Directors, except the Managing Director but subject to the aforesaid, or if the number is not three (3) or a multiple of three (3), then the nearest one-third (1/3) of the Directors shall retire from office and be subjected to re-election at each AGM.

Pursuant to Section 129(6) of the Companies Act, 1965, Directors who are of or over the age of 70 years shall be re-appointed at every AGM to hold office until the conclusion of the next AGM.

2.3 Remuneration Committee

The Board has on 19 June 2003 set up a Remuneration Committee and the members of the Remuneration Committee are as follows:

Chairperson	Madam Ngu Ying Ping	Senior Independent Director
Member	Mr. Tiong Kiong King	Non-Independent Non-Executive Director
Member	Mr. Tiong Ing Ming	Independent Director
Member	Mr. Poh Kee Eng (appointed on 14.9.2015)	Independent Director

The Remuneration Committee will be responsible for developing the remuneration policy and recommending the remuneration packages for Executive Directors of the Company and its subsidiaries so as to ensure that the remuneration package offered is sufficient to attract and retain Directors with necessary calibre, experience and quality required to run the Group in an effective and efficient manner. In formulating the remuneration package, the Remuneration Committee takes into account the responsibility and job functions, remuneration packages of comparable companies within the same industry as well as individual and corporate performance. The fees for Non-Executive Directors are determined by the Board as a whole.

The Remuneration Committee shall consist of at least three (3) members, all of whom must be non-executive directors.

The Remuneration Committee met once during the financial year ended 31 July 2016.

The Board has adopted and formalised Remuneration Policies and Procedures for the Directors.

Each individual Director has abstained from the Board discussion and decision making on his/her own remuneration. Details of the remuneration of the Directors for the financial year ended 31 July 2016 distinguishing between executive and non-executive Directors in aggregate with categorization into appropriate components and the number of Directors whose remuneration falls into each successive bands of RM50,000 are set out as below:

Aggregation	Non- Executive Director (RM)	Executive Director (RM)
Fees	269,560	74,000
Salary	-	1,820,000
Bonus	-	903,000
Allowance	-	700,000
EPF	-	410,760
Benefit in kind	-	11,100
Total	269,560	3,918,860

CORPORATE GOVERNANCE STATEMENT (cont'd)

Remuneration	Non- Executive Director	Executive Director
Less than RM50,001	2	-
RM50,001 – RM100,000	3	-
RM3,900,001 – RM3,950,000	-	1

The Board is of the view that the transparency and accountability aspects of Corporate Governance as applicable to Directors' remuneration are appropriately served by the "Band Disclosure" made.

3 REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independent Directors

The Board has, through the Nomination Committee, assessed the Independent Directors on an annual basis with a view to ensure that the Independent Directors bring independent and objective judgement to the Board. The Board adopted the same criteria used in the definition of independence as set out in the Listing Requirements of Bursa Securities.

3.2 Tenure of Independent Directors

The tenure of an Independent Director shall not exceed a cumulative or consecutive term of nine (9) years. Upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. The Board shall need to justify and secure shareholders' approval annually in the event the Director is to retain as an Independent Director. Currently, there are no Directors who have served for a consecutive term of more than nine (9) years in the Board.

3.3 Separation of Roles of Chairman and Group Managing Director

There is a clear division of responsibility between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority, such that no one individual dominates the decision-making process. The positions of Chairman and Group Managing Director are held by different individuals.

The Chairman, Mr. Tiong Kiong King is a Non-Independent Non-Executive Director who is responsible for the orderly conduct of meetings, facilitating matters between the Board and its investors, leadership, effectiveness, conduct and governance of the Board. The Group Managing Director, YBhg. Dato' Tiong Ing is responsible for the development and implementation of strategy and managing the day-to-day business operations of the Group. The Board comprises a majority of independent director although our Chairman is not an independent director.

3.4 Composition of the Board

The Board currently has five (5) members, comprising three (3) Independent Directors, one (1) Non-Independent Non-Executive Director and one (1) Managing Director. Together, the Directors bring wide range of business, regulatory, industry and financial experience relevant to the direction of the Group.

The Board ensures that at least one-third (1/3) of the Board members consist of Independent Directors of caliber, with necessary skills, experience, qualification and other core competencies, in order to carry sufficient weight in making balanced, objective and accountable decisions. Although all the Directors have an equal responsibility for the Group's operations, the role of Independent Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, taking into account the long term interest, not only of the shareholders, but also of employees, customers, suppliers and the communities in which the Group operates in.

CORPORATE GOVERNANCE STATEMENT (cont'd)

The current size and composition of the Board are considered adequate to provide an optimum mix of skills, experience and expertise except that with the Chairman who is not an independent director, two-third (2/3) of the Board members are independent directors. The Board is of the view that with the current Board size, there is no disproportionate imbalance of power and authority on the Board between the non-independent and independent directors. The Board believes that the Chairman is well placed to act in the best interests of the Shareholders as a whole as he has significant interests in Subur Tiasa Group. The Board will continue to monitor and review the Board size and composition from time to time.

Madam Ngu Ying Ping (email address: ypngu@suburtiasa.com.my) is identified by the Board as the Senior Independent Director to whom concerns or queries concerning the Group may be conveyed to.

A brief description of the background of each of the Directors is presented on page 5 to 7 of this annual report.

4 FOSTER COMMITMENT

4.1 Time Commitment

The existing Directors are obliged to notify the Board before accepting any new directorship in other listed issuers. The notification will include an indication of time spent on the new appointment to ensure the Directors have sufficient time to discharge their duties to the Board and other Board Committees on which they serve. All the Directors hold less than five (5) directorships in listed issuers as defined in the Listing Requirements.

All the Directors are required to submit to the Company an update on their total number of directorships held by them in listed issuers every six (6) months for monitoring purpose.

During the financial year ended 31 July 2016, four (4) Board meetings were held. The details of attendance of each of the Directors at the Board meetings are outlined as follows:

Directors	Total
Mr. Tiong Kiong King	4 out of 4
YBhg. Dato' Tiong Ing	4 out of 4
YBhg. Temenggong Datuk Kenneth Kanyan anak Temenggong Koh (de-mised on 1.3.2016)	1 out of 4
Madam Ngu Ying Ping	4 out of 4
Mr. Tiong Ing Ming	4 out of 4
Mr. Poh Kee Eng (appointed on 14.9.2015)	4 out of 4

The Board is satisfied with the level of time commitment given by all the Directors in fulfilling their roles and responsibilities as Directors of the Company.

4.2 Directors' Training and Continuing Education Programmes

As an integral element of the process in appointing new Directors, the Nomination Committee provides for adequate orientation of newly appointed Directors with respect to the business structure, corporate strategy, risk profile, legal requirements, financial overview as well as expected contributions to the Board and Group.

All the Directors had completed the Mandatory Accreditation Programme ("MAP") as required by Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board acknowledges that continuous training is important to broaden their perspectives and to keep them abreast with latest developments in the industry, particularly on relevant new laws, regulations and changing risk factors in competitive business environment.

CORPORATE GOVERNANCE STATEMENT (cont'd)

The Board through its Nomination Committee has assessed the training needs of its members to ensure that they are equipped with the necessary skills and knowledge in discharging of their duties as Directors of the Company. The Directors are required to attend at least one (1) training or seminar each year.

The descriptions of the trainings/seminars attended by the Directors during the financial year ended 31 July 2016 are as follows:

Title of training/seminar	Mode of training	Number of day(s) spent
Issues In Construction Contract	Seminar	1 day
Revamping The Companies Act	Seminar	1 day
Company Valuation, Restructuring & Funding – Exit And Sensitivity Analysis	Seminar	1 day
Post Budget 2016	Seminar	1 day
Seminar Percukaian Kebangsaan 2015	Seminar	1 day
SSM Sarawak Seminar 2015	Seminar	1 day
Mandatory Accreditation Programme For Directors Of Public Listed Companies	Seminar	2 days

The Directors are regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements governing the Directors and the Group.

5 UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Financial Reporting Standards

In presenting the annual financial statements and quarterly announcement to shareholders, the Directors have fiduciary responsibility to present a balanced evaluation and comprehensive assessment of the Group's performance, position and prospects.

The Board through its Audit Committee ensures that the quarterly financial statements and audited financial statements prepared are drawn in accordance with the provision of the Companies Act, 1965, Listing Requirements and the applicable approved financial reporting standards in Malaysia. The Audit Committee provides assistance to the Board of Directors in fulfilling these statutory and fiduciary responsibilities with regards to the financial reporting process, reviewing the scope of and results of internal and external auditing processes and monitoring the effectiveness of the internal controls and risk management to ensure the Board makes properly informed decisions and the interests of shareholders are protected.

The Statement of Directors' Responsibility in respect of preparation of financial statements is set out on page 36 of this annual report.

5.2 Sustainability and Independence of External Auditors

The Company undertakes an annual assessment of the external auditors, via the Audit Committee, based on the criteria including quality of audit services, audit fees and audit independence as set out in the Auditor Independence Policy.

In supporting the Audit Committee's assessment of their independence, the External Auditors had provided a written assurance, confirming that they were, and had been, independent throughout the conduct of the audit engagement with the Company in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

CORPORATE GOVERNANCE STATEMENT (cont'd)

Audit and non-audit fees paid by the Group and the Company to the External Auditors during the financial year ended 31 July 2016 are set out below:

	Group FY 2016 RM	Company FY 2016 RM
Statutory audit fee paid to:		
- Crowe Horwath (a)	186,000	37,000
- Messrs Yeo Yew Swee PAC	7,649	-
Total	193,649	37,000
Non-audit fees paid to:		
- Crowe Horwath	5,000	NIL
- Affiliates of Crowe Horwath	NIL	NIL
Total (b)	5,000	NIL
% of non-audit fees (b/a)	2.68 %	NIL(%)

In considering the nature and scope of non-audit fees, the Audit Committee was satisfied that they were not likely to create any conflict or impair the independence and objectivity of the External Auditors.

The Audit Committee, having assessed the performance and independence of Messrs. Crowe Horwath for the financial year ended 31 July 2016 was satisfied with their suitability and independence and recommended to the Board for their re-appointment as External Auditors for the ensuing financial year subject to shareholders' approval.

6 RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risks

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Internal Control System involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. This system, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The Statement on Risk Management and Internal Control on pages 32 to 33 of this annual report provides an overview of the state of risk management and internal controls within the Group.

Risk Management Committee

The Risk Management Committee, led by the Managing Director, YBhg. Dato' Tiong Ing, comprises heads of the respective business units.

The Risk Management Committee provides oversight and direction for the implementation and application of the Risk Management Policy and framework, reviewing Risk Management Policy and framework and make recommendation to the Board for approval, reviewing risk management process and assessing whether they provide reasonable assurance that risk are effectively managed, reviewing key business risks to ensure that action and risk mitigation plans have been implemented effectively, encouraging promotion of risk management awareness among the staff and reporting key business risks of the Group to the Board.

CORPORATE GOVERNANCE STATEMENT (cont'd)

6.2 Internal Audit Function

The Board has established an internal audit function within the Company, which is led by the Head of Internal Audit who reports directly to the Audit Committee. The Audit Committee reviews and approves the annual internal audit plan and audit programme and ensures that there are adequate resources available for the Internal Auditors to carry out their audit responsibilities.

Details of the Company's internal audit functions are set out in the Audit Committee Report on page 35 of this annual report.

7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board is committed to ensuring that communications to the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulator is in accordance with applicable legal and regulatory requirement.

The Company announces its quarterly and full year results within the mandatory period. The financial statements and, where necessary other presentation materials presented at the Company's general meetings, are disseminated and publicly released via Bursa LINK on a timely basis to ensure effective dissemination of information relating to the Group.

The Board places importance in ensuring disclosures made to shareholders and investors are comprehensive, accurate and on a timely and even basis as they are critical towards building and maintaining corporate creditability and investor confidence. As such, the company has adopted a Corporate Disclosure Policy and Procedures to set out the policies and procedures for disclosure of material information of Group to ensure compliance with the Listing Requirements. The Corporate Disclosure Policy and Procedures are applicable to all employees and Directors of the Group as well as those authorized to speak on their behalf.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Board acknowledges the importance of communication with shareholders and investors on the Group's business and corporate developments. The Board endeavours to make timely release of financial results on a quarterly basis, annual reports, and any announcements to Bursa Securities on material corporate exercises which are the primary mode of disseminating information on the Group's business activities and financial performance.

The Company has established a website at www.suburtiasa.com.my for shareholders and the public to assess the latest corporate information and announcements related to the Group. Shareholders may also direct their queries to the Company through the email contact provided in the said website.

8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Shareholders' Participation at General Meeting

The Annual General Meeting is a crucial mechanism as it provides the Board with an important forum for shareholders' communication. At each Annual General Meeting, the Board encourages shareholders to participate in question and answer session in order to communicate their views and to seek clarifications. The Chairman, members of the Board, Company Secretaries, senior management and external auditors are present to address queries during the meeting.

All concerns or queries regarding the Group may be conveyed to the Senior Independent Director at the Company's registered address and feedback and responses will be provided where such information can be made available to the public.

CORPORATE GOVERNANCE STATEMENT (cont'd)

Notice of Annual General Meeting is issued and served to all shareholders at least twenty one (21) days prior to the Annual General Meeting in accordance with the provisions of the Company's Articles of Associations. The outcome of the annual general meeting is announced to Bursa Securities on the same meeting day.

Each item of special business included in the notice of the Annual General Meeting is accompanied by a full explanation of the effects of a proposed resolution in order to facilitate understanding and evaluation of the issues involved. Separate resolutions are proposed at the Annual General Meeting for each separate issues.

8.2 Poll Voting

At the 20th AGM held on 22 December 2015, the Chairman informed shareholders of their rights to request a poll vote at the commencement of meeting. However, all the resolution(s) out forth for shareholders' approval were voted by a show of hands as no poll was requested.

In line with the recently amended Listing Requirements, the Board ensures that all resolutions set out in the Notice of the 21st AGM to be held on 22 December 2016 will be voted by poll and the poll results will be validated by independent scrutineers.

8.3 Effective Communication and Proactive Engagement with Shareholders

The Board and management value the importance of effective and transparent communications with shareholders and investors. This is achieved through the timely release of annual reports, quarterly announcements and other corporate announcements made to Bursa Securities. Corporate and financial information on the Group are easily accessible by the shareholders and the public through the Company's website, www.suburtiasa.com.my. The website provides up-to-date corporate details, overview of business activities and operations, Company's performance and position, annual reports, and all announcements made. This ensures no selective dissemination of information and there is always symmetry of information disclosure.

Currently, communications are made through the quarterly announcements of financial results to Bursa Securities, relevant announcements and circulars, general meetings of shareholders and the Company's website www.suburtiasa.com.my where shareholders can access corporate information, annual reports, financial information and Company announcements.

Compliance Statement

With the introduction of the Code, the Board remains committed to inculcating good corporate governance for the Group. The Group will continue to endeavour to comply with all the key principles and recommendations of the Code where the Board deems appropriate, in its efforts to observe high standard of transparency, accountability and integrity.

This statement is made in accordance with the resolution of the Board of Directors dated 11 November 2016.

ADDITIONAL COMPLIANCE INFORMATION

The following information is presented in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"):

MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company or its subsidiaries involving interests of the directors and major shareholders, either subsisting at the end of the financial year ended 31 July 2016 or entered into since the end of the previous financial year.

DISCLOSURE OF REALISED AND UNREALISED RETAINED EARNINGS

The breakdown of the realised and unrealised retained earnings as at 31 July 2016 are disclosed and outlined on page 126 of this annual report.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

The significant RRPT entered into during the financial year under review are disclosed in Note 37 to the Financial Statements. A breakdown of the aggregate value of the RRPT conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1)(a) of the Listing Requirements, are set out below:

Type of RRPT	Name of Related Party(ies)	Relationship with the Group ¹	Actual Amount of RRPT for year ended 31 July 2016 RM'000
Contract fee income for logging / reforestation	Rejang Height Sdn Bhd	A	15,278
Logging contract fee income	Bakun Logging Sdn Bhd	C	1,119
	Saforin Sdn Bhd	A	11,212
	Supreme Timber Products Sdn Bhd	A	108
	Total		12,439
Sale of logs	Unique Wood Sdn Bhd	B	531
Sale of sawn timber	Unique Wood Sdn Bhd	B	83
Sale of fresh fruit bunches	Unique Palm Oil Mill Sdn Bhd	B	40,755
Towage and handling income	Jaya Tiasa Group ²	A	614
Freight and handling charges paid / payable	Jaya Tiasa Group ²	A	31
Helicopter charter charges paid / payable	Jaya Tiasa Group ²	A	273
Logging contract fee paid / payable	Hubwood Sdn Bhd	C	1,419
	Millennium Midland Sdn Bhd	A	8,158
	Pertumbuhan Kekal Sdn Bhd	A	2,142
	Total		11,719

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

Type of RRPT	Name of Related Party(ies)	Relationship with the Group ¹	Actual Amount of RRPT for year ended 31 July 2016 RM'000
Purchase of adhesive materials	Petanak Enterprises Sdn Bhd	A	27,841
Purchase of logs	Lukutan Enterprises Sdn Bhd	A	2,375
	Rejang Height Sdn Bhd	A	21,997
	Supreme Timber Products Sdn Bhd	A	241
	Total		24,613
Purchase of spare parts and equipments	Rimbunan Hijau General Trading Sdn Bhd	A	5,430
Purchase of veneer	Jaya Tiasa Group ²	A	23,568
Purchase of waste timber	Unique Wood Sdn Bhd	B	28

Note:

- 1 The relationships denoted by A to C indicate that the following persons have interest in the related parties that transacted with the Group:
 - A These are companies in which Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and a director of certain subsidiaries, has interest, both direct and/or indirect interest.
 - B The Group's Managing Director, Dato' Tiong Ing has indirect interest.
 - C These are companies in which Datuk Tiong Thai King, a director of Sarawak Plywood (M) Sdn. Bhd., has interest, both direct and/or indirect interest.
- 2 Jaya Tiasa Group includes Jaya Tiasa Holdings Bhd and its subsidiaries, Jaya Tiasa Plywood Sdn Bhd, Sericahaya Sdn Bhd, Curiah Sdn Bhd, Jaras Sdn Bhd and Jaya Tiasa Aviation Sdn Bhd.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") upholds their commitment to maintaining a sound system of risk management and internal control to safeguard shareholders' investments and the Group's assets. Pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board is pleased to present the Statement on Risk Management and Internal Control of the Group.

BOARD RESPONSIBILITY

The Board recognises the importance of a sound risk management framework and internal control system for good corporate governance and acknowledges its responsibility to establish a sound risk management framework and internal control system.

However, in view of the inherent limitations in any system, such system of risk management and internal control is designed to manage rather than to eliminate risks of failure to the achievement of the Group's business objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatements or losses, fraud, contingencies or any irregularities.

RISK MANAGEMENT FRAMEWORK

The Group has put in place an ongoing risk management process to identify, evaluate, monitor and manage significant risks that affect the achievement of the Group's business objectives. The process is supported by policies, procedures, methodologies, evaluation criteria and documentation requirements to ensure clarity and consistency of application across the Group. Risk management is practised within the Group on an iterative basis.

The Group's risk profile is assessed through a bottom-up approach covering operating and supporting functions. Major business units and departments implement risk identification process to assess, evaluate and review risks pertaining to their areas of supervision and control and implement controls to manage these risks. Risk profiles of business units or departments are regularly reviewed to ensure they remain effective and current.

The Board confirms that the risk management process in identifying, evaluating and managing key business risks faced by the Group has been in place throughout the financial year 2016 and up to the date of approval of this statement.

The Board on an annual basis reviews the adequacy and effectiveness of risk management process and ensures that appropriate processes to identify and assess key business risks of the Group are implemented and appropriate measures are taken to mitigate these risks by Management. The Group has a Risk Management Committee which is chaired by the Group Managing Director and comprises Senior Management of the Group, to provide oversight and added impetus to the risk management process.

INTERNAL CONTROL SYSTEM

The Group has in place a system of internal control that provides reasonable assurance that assets of the Group are safeguarded, transactions are properly authorised and recorded and risks are managed effectively. Existing internal controls which are embedded in the daily operations of the Group are stated as follows:-

- Policies and procedures have been established for key business processes and support functions to ensure that there are adequate risk management, financial and operational policies, procedures and rules relating to the roles and responsibilities, delegation and segregation of duties;
- Annual business plans and operating budgets are prepared by business and operating units, and are approved by the Board. Actual performances and significant variances against budget are monitored on an ongoing basis;

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

- Management and the Board receives timely, relevant and reliable management and financial reports which are reviewed on a regular basis;
- The Group has in place a Management Information System that captures, compiles, analyzes and reports relevant data, which enables management to make business decisions in an accurate and timely manner;
- The Group's policies and procedures are reviewed and revised periodically to meet changing business and operational needs and regulatory requirements;
- Board meetings are held at least on a quarterly basis with a formal agenda on matters for discussion. In addition, regular management and operational meetings are conducted by senior management which comprises the Managing Director and divisional heads; and
- The Group's Internal Audit function monitors compliance with policies, procedures, laws and regulations, and provides independent assurance on the adequacy and effectiveness of the system of risk management and internal controls by conducting regular audits and continuous assessment. Significant audit findings and recommendations for improvements are highlighted to senior management and the Audit Committee, with periodic follow-up reviews of the implementation of corrective action plans.

The internal control system is reviewed by the Board through its Audit Committee which is supported by Internal Audit function. On a quarterly basis, reports are prepared on the adequacy, efficiency and effectiveness of the internal control system based on the annual audit plan approved by the Audit Committee.

BOARD'S ASSESSMENT

The Board has reviewed the adequacy and effectiveness of the risk management and internal control system. Based on the results of these reviews as well as the assurance it has received from the Group Managing Director and Group Senior Manager, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively throughout the financial year 2016 and up to the date of approval of this statement.

REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this statement for inclusion in the Annual Report for the financial year ended 31 July 2016 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process the Board has adopted for review of adequacy and effectiveness of the system of internal control and risk management.

This Statement is made in accordance with the resolution of the Board dated 11 November 2016.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of Subur Tiasa Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 July 2016.

The primary objective of the Audit Committee ("Committee") is to assist the Board in discharging its statutory duties and responsibilities relating to the corporate accounting and practices for the Company and all its subsidiaries ("Group") and to ensure the adequacy and effectiveness of the Group's internal control measures.

MEMBERS AND ATTENDANCE OF MEETINGS

The Committee comprises the Directors as listed below. All members of the Committee are financially literate. During the financial year ended 31 July 2016, four (4) meetings were held. The details of attendance of each of them are outlined as follows:

NAME	DESIGNATION	NO. OF MEETINGS HELD	ATTENDANCE OF MEETINGS
Madam Ngu Ying Ping	Chairman (Senior Independent Director)	4	4
Mr. Tiong Ing Ming	Member (Independent Director)	4	4
Mr. Poh Kee Eng	Member (Independent Director)	4	4

Details of training attended by members of the Committee are disclosed in the Corporate Governance Statement set out on page 26 of this annual report.

The Group Managing Director, Senior Finance Manager, internal auditors and company secretaries attended all the meetings held during the year ended 31 July 2016. External auditors attended some of these meetings upon invitation by the Committee. All proceedings, matters arising and deliberations in terms of the issue discussed and recommendation of the committee are recorded in the minutes by the Company Secretaries, confirmed by the Committee, and signed by the Chairman. The Chairman reports on the main findings and deliberations at the meetings as well as its recommendations and views to the Board.

Terms of Reference

The terms of reference of the Committee are available at the Company's website at www.suburtiasa.com.my

SUMMARY OF WORK OF THE AUDIT COMMITTEE

In order to discharge its duties and responsibilities in line with its terms of reference, the activities undertaken by the Committee during the financial year ended 31 July 2016 were as follows:

- a) Review of the internal and external auditors' annual audit plans, scope of work and discuss results of their examinations and recommendations;
- b) Review with the internal and external auditors the results of their audit, the audit report and internal control recommendations and management's responses thereto;
- c) Review of the quarterly and annual financial results of the Group to ensure that the financial reporting and disclosures presented a true and fair view of the financial position and performance of the Group prior to recommendation to the Board for consideration and approval;
- d) Review of the related party transactions entered into by the Group and assess conflict of interest situation that may arise;
- e) Assessment of external auditors and consideration of nomination of new external auditors and their fees;
- f) Review of the Statement on Risk Management and Internal Control and Audit Committee Report prior to recommendation to the Board for consideration and approval;

AUDIT COMMITTEE REPORT (cont'd)

- g) Review of the adequacy of scope, functions, competency and resources of the Internal Audit and annual assessment of Internal Audit Department's function;
- h) Meeting with the internal auditors without the presence of the other directors and employees of the Group;
- i) Review of the draft circular to shareholders in relation to the proposed renewal and new shareholder mandates for recurrent related party transactions of a revenue or trading nature; and
- j) Review of the proposed revision made to the existing terms of reference and recommendation to the Board for approval.

INTERNAL AUDIT FUNCTION

The company has an in-house internal audit function. The Internal Audit Department plays an essential role in assisting the Committee in discharging its duties and functions. It undertakes independent, regular and systematic review of the system of internal control so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively within the Group.

Annual audit plan is reviewed and approved by the Committee prior to the commencement of new financial year. The Internal Audit Department performs planned and routine audit covering all operating units within the Group i.e. forest operations, oil palm operations, manufacturing operations and including head office functions such as finance, human resources, IT and other administrative support. The emphasis is dependent on risk areas and its regular assessment. Internal Audit Department also performs ad-hoc audits and investigative assignments whenever relevant and so required. Audit reports are issued to the Committee incorporating findings and recommendations to rectify weaknesses or enhance controls as noted in the course of audits. Management's comments are incorporated in the audit findings with a commitment to improve on an agreed timeline. A monitoring or follow-up system is in place to ensure that all corrective and preventive actions had been taken by the Management on the agreed audit issues and recommendations disclosed in the audit reports.

The total cost incurred for the internal audit function in respect of financial year ended 31 July 2016 was RM1,106,499 (2015: RM1,180,420).

This report is made in accordance with the resolution of the Board of Directors dated 11 November 2016.

STATEMENT OF DIRECTORS' RESPONSIBILITY

In respect of the financial statements

The Directors are required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement explaining their responsibility for preparing the financial statements.

The Directors are also required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the affairs of the Group and the Company at the end of the financial year, the results and cash flows of the Group and the Company for the financial year.

In preparing those statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed; and
- prepared the financial statements on the going concern basis as the Directors have reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors hereby confirm that suitable accounting policies have been consistently applied in respect of the preparation of the financial statements and that the Group and the Company maintain adequate accounting records. Sufficient internal controls are also in place to safeguard the assets of the Group and the Company and to prevent as well as to detect fraud and other irregularities.

This statement is made in accordance with the resolution of the Board of Directors dated 11 November 2016.

Financial Statements

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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, extraction and sale of logs. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM'000	The Company RM'000
(Loss)/profit after taxation for the financial year	(38,277)	11,497
Attributable to:-		
Owners of the Company	(38,268)	11,497
Non-controlling interests	(9)	-
	<u>(38,277)</u>	<u>11,497</u>

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the authorised and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

TREASURY SHARES

During the financial year, the Company purchased 2,300 of its issued ordinary shares from the open market at an average price of RM1.51 per share. The total consideration paid for the purchase was RM3,644 including transaction costs. The shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965 and are presented as a deduction from equity.

As at 31 July 2016, the Company held as treasury shares a total of 20,878,200 of its 209,000,000 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM55,161,637. Relevant details on the treasury shares are disclosed in Note 21 to the financial statements.

DIRECTORS' REPORT (cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

DIRECTORS' REPORT (cont'd)

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:-

Tiong Kiong King
 YBhg. Dato' Tiong Ing
 YBhg. Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh (Demised on 1.3.2016)
 Ngu Ying Ping
 Tiong Ing Ming
 Poh Kee Eng

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company during the financial year are as follows:-

	← Number of Ordinary Shares of RM1 Each →			
	At 1.8.2015	Bought	Sold	At 31.7.2016
<i>Direct Interests in the Company</i>				
Tiong Kiong King	1,284,043	-	-	1,284,043
YBhg. Dato' Tiong Ing	1,775,213	5,000	-	1,780,213
<i>Indirect Interests in the Company</i>				
YBhg. Dato' Tiong Ing#	500,275	33,400	-	533,675

Deemed interested by virtue of her substantial shareholdings in Unique Wood Sdn. Bhd., ETI Blessed Holdings Sdn. Bhd. and the interests of her children in the Company.

The other directors holding office at the end of the financial year had no interest in shares of the Company during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 37 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT (cont'd)

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 41 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 11 November 2016.

Tiong Kiong King

YBhg. Dato' Tiong Ing

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, **Tiong Kiong King** and **YBhg. Dato' Tiong Ing**, being two of the directors of **Subur Tiasa Holdings Berhad**, state that, in the opinion of the directors, the financial statements set out on pages 45 to 125 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 July 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 43, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 11 November 2016.

Tiong Kiong King

YBhg. Dato' Tiong Ing

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, **Ling Chieh Min**, being the officer primarily responsible for the financial management of **Subur Tiasa Holdings Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 45 to 125 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Ling Chieh Min
at Sibu in the State of Sarawak
on this 11 November 2016.

Ling Chieh Min

Before me

Belinda Hii Tai King
Commissioner for Oaths (Q 64)
Sibu, Sarawak
Malaysia

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SUBUR TIASA HOLDINGS BERHAD (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Subur Tiasa Holdings Berhad, which comprise the statements of financial position as at 31 July 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 125.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 July 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT (cont'd) **TO THE MEMBERS OF SUBUR TIASA HOLDINGS BERHAD (Incorporated in Malaysia)**

Other Reporting Responsibilities

The supplementary information set out in Note 43 on page 126 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF1018
Chartered Accountants

Ling Hang Ngee
Approval No: 3188/07/17(J)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AT 31 JULY 2016

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000 (Restated)
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	383,980	373,181
Property, plant and equipment	6	606,621	659,521	230,494	275,367
Investment properties	7	59,887	70,942	-	-
Land held for property development	8	6,005	-	-	-
Intangible assets	9	1,621	7,161	-	2,298
Biological assets	10	200,598	165,258	-	-
Investment securities	11	36,722	16,286	36,722	16,286
Goodwill	12	2,720	2,720	-	-
Long-term receivable	13	3,205	5,313	3,205	5,313
Deferred tax assets	14	21,804	21,774	3,811	2,748
		939,183	948,975	658,212	675,193
CURRENT ASSETS					
Inventories	15	165,886	178,087	9,479	14,433
Trade receivables	16	48,627	61,061	15,005	12,607
Other receivables, deposits and prepayments	17	51,409	26,822	44,061	17,056
Amount owing by subsidiaries	18	-	-	244,791	214,976
Current tax assets		4,788	2,539	1,133	-
Deposits with licensed banks	19	35,712	11,601	20,560	3,695
Cash and bank balances		11,815	44,676	3,053	3,840
		318,237	324,786	338,082	266,607
TOTAL ASSETS		1,257,420	1,273,761	996,294	941,800

STATEMENTS OF FINANCIAL POSITION (cont'd)

AT 31 JULY 2016

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000 (Restated)
EQUITY AND LIABILITIES					
EQUITY					
Share capital	20	209,000	209,000	209,000	209,000
Treasury shares	21	(55,162)	(55,158)	(55,162)	(55,158)
Reserves	22	475,758	519,667	472,863	467,007
Equity attributable to owners of the Company		629,596	673,509	626,701	620,849
Non-controlling interests	5	951	(40)	-	-
TOTAL EQUITY		630,547	673,469	626,701	620,849
NON-CURRENT LIABILITIES					
Bank borrowings	23	96,259	157,020	10,621	54,392
Deferred tax liabilities	14	23,131	20,626	-	-
		119,390	177,646	10,621	54,392
CURRENT LIABILITIES					
Trade payables	25	89,691	117,732	27,632	33,373
Other payables, deposits and accruals	26	24,265	20,145	9,617	4,879
Amount owing to subsidiaries	18	-	-	57,976	54,319
Bank borrowings	23	392,905	279,994	263,747	169,413
Current tax liabilities		622	4,775	-	4,575
		507,483	422,646	358,972	266,559
TOTAL LIABILITIES		626,873	600,292	369,593	320,951
TOTAL EQUITY AND LIABILITIES		1,257,420	1,273,761	996,294	941,800

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
REVENUE	27	554,603	754,031	293,501	423,921
COST OF SALES		(465,888)	(620,038)	(206,901)	(291,904)
GROSS PROFIT		88,715	133,993	86,600	132,017
OTHER INCOME		14,719	22,246	15,900	15,002
ADMINISTRATIVE EXPENSES		(60,131)	(59,914)	(47,949)	(50,443)
SELLING AND DISTRIBUTION EXPENSES		(53,797)	(66,627)	(25,881)	(38,266)
OTHER EXPENSES		(5,736)	(10,140)	(7,494)	(6,899)
FINANCE COSTS	28	(21,030)	(17,192)	(14,406)	(12,349)
(LOSS)/PROFIT BEFORE TAXATION	29	(37,260)	2,366	6,770	39,062
INCOME TAX EXPENSE	30	(1,017)	189	4,727	(3,011)
(LOSS)/PROFIT AFTER TAXATION		(38,277)	2,555	11,497	36,051
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss					
Fair value changes of financial assets measured at fair value through other comprehensive income		(5,641)	(25,541)	(5,641)	(25,541)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		(43,918)	(22,986)	5,856	10,510
(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		(38,268)	2,562	11,497	36,051
Non-controlling interests		(9)	(7)	-	-
		(38,277)	2,555	11,497	36,051
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		(43,909)	(22,979)	5,856	10,510
Non-controlling interests		(9)	(7)	-	-
		(43,918)	(22,986)	5,856	10,510
(LOSS)/EARNINGS PER SHARE (SEN):-	31				
Basic		(20.34)	1.36		
Diluted		Not applicable	Not applicable		

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

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	← Non-distributable →					Distributable		Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non- controlling Interests RM'000	
The Group								
Balance at 1.8.2014	209,000	(55,148)	59,680	6,743	485,629	705,904	(33)	705,871
Profit after taxation for the financial year	-	-	-	-	2,562	2,562	(7)	2,555
Other comprehensive income for the financial year:-								
- fair value changes of financial assets measured at fair value through other comprehensive income	-	-	-	(25,541)	-	(25,541)	-	(25,541)
Total comprehensive income for the financial year	-	-	-	(25,541)	2,562	(22,979)	(7)	(22,986)
Contributions by and distributions to owners of the Company:-								
- purchase of treasury shares	-	(10)	-	-	-	(10)	-	(10)
- dividends	-	-	-	-	(9,406)	(9,406)	-	(9,406)
Total transactions with owners	-	(10)	-	-	(9,406)	(9,416)	-	(9,416)
Balance at 31.7.2015	209,000	(55,158)	59,680	(18,798)	478,785	673,509	(40)	673,469

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The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	← Non-distributable →					Distributable		Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non- controlling Interests RM'000	
The Group								
Balance at 31.7.2015/1.8.2015	209,000	(55,158)	59,680	(18,798)	478,785	673,509	(40)	673,469
Loss after taxation for the financial year	-	-	-	-	(38,268)	(38,268)	(9)	(38,277)
Other comprehensive income for the financial year:-								
- fair value changes of financial assets measured at fair value through other comprehensive income	-	-	-	(5,641)	-	(5,641)	-	(5,641)
Total comprehensive income for the financial year	-	-	-	(5,641)	(38,268)	(43,909)	(9)	(43,918)
Contributions by and distributions to owners of the Company:-								
- purchase of treasury shares	-	(4)	-	-	-	(4)	-	(4)
- additional investments in an existing subsidiary by non-controlling interests	-	-	-	-	-	-	1,000	1,000
Total transactions with owners	-	(4)	-	-	-	(4)	1,000	996
Balance at 31.7.2016	<u>209,000</u>	<u>(55,162)</u>	<u>59,680</u>	<u>(24,439)</u>	<u>440,517</u>	<u>629,596</u>	<u>951</u>	<u>630,547</u>

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The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

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	Share Capital RM'000	Treasury Shares RM'000	← Non-distributable → Share Premium RM'000	Fair Value Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
The Company						
Balance at 1.8.2014	209,000	(55,148)	59,680	6,743	399,480	619,755
Profit after taxation for the financial year	-	-	-	-	36,051	36,051
Other comprehensive income for the financial year:- - fair value changes of financial assets measured at fair value through other comprehensive income	-	-	-	(25,541)	-	(25,541)
Total comprehensive income for the financial year	-	-	-	(25,541)	36,051	10,510
Contributions by and distributions to owners of the Company:- - purchase of treasury shares	-	(10)	-	-	-	(10)
- dividends	-	-	-	-	(9,406)	(9,406)
Total transactions with owners	-	(10)	-	-	(9,406)	(9,416)
Balance at 31.7.2015	209,000	(55,158)	59,680	(18,798)	426,125	620,849

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The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Share Capital RM'000	Treasury Shares RM'000	← Non-distributable → Share Premium RM'000	Fair Value Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
The Company						
Balance at 31.7.2015/1.8.2015	209,000	(55,158)	59,680	(18,798)	426,125	620,849
Profit after taxation for the financial year	-	-	-	-	11,497	11,497
Other comprehensive income for the financial year:- - fair value changes of financial assets measured at fair value through other comprehensive income	-	-	-	(5,641)	-	(5,641)
Total comprehensive income for the financial year	-	-	-	(5,641)	11,497	5,856
Contributions by and distributions to owners of the Company:- - purchase of treasury shares	-	(4)	-	-	-	(4)
Balance at 31.7.2016	<u>209,000</u>	<u>(55,162)</u>	<u>59,680</u>	<u>(24,439)</u>	<u>437,622</u>	<u>626,701</u>
Note						
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The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	(37,260)	2,366	6,770	39,062
Adjustments for:-				
Amortisation of biological assets	5,082	4,693	-	-
Amortisation of intangible assets	5,540	10,140	2,298	6,899
Depreciation of investment properties	3,044	3,034	-	-
Depreciation of property, plant and equipment	79,346	87,356	44,866	54,598
Dividend income	(41)	(18)	(32,291)	(32,590)
Fair value gain on investment securities	(86)	-	(86)	-
Impairment losses on investments in subsidiaries	-	-	5,000	-
Interest expense	21,030	17,192	14,406	12,349
Interest income	(1,002)	(1,308)	(1,688)	(1,302)
Loss/(gain) on disposal of property, plant and equipment	1,978	3,418	(1,874)	3,472
Property, plant and equipment written off	25	93	2	-
Reversal of write-down of inventories	(710)	(1,386)	-	-
Unrealised loss/(gain) on foreign exchange	587	(118)	(23)	16
Write-down of inventories	196	-	196	-
	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit before working capital changes	77,729	125,462	37,576	82,504
Decrease/(increase) in inventories	11,147	(28,667)	4,758	6,577
(Increase)/decrease in trade and other receivables	(10,567)	(21,656)	(27,383)	9,185
Decrease in trade and other payables	(23,879)	(16,103)	(1,002)	(17,619)
Net increase/(decrease) in amount owing to subsidiaries	-	-	49,112	(20,524)
	<hr/>	<hr/>	<hr/>	<hr/>
CASH FROM OPERATIONS	54,430	59,036	63,061	60,123
Income tax paid	(5,800)	(11,888)	(2,044)	(6,772)
Income tax refunded	856	1,582	-	-
Interest paid	(23,453)	(19,486)	(14,406)	(12,349)
Interest received	1,002	1,308	1,688	1,302
	<hr/>	<hr/>	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	27,035	30,552	48,299	42,304

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash and cash equivalents acquired	33	-	-	(250)	-
Additional investments in subsidiaries		-	-	(15,549)	(32,001)
Additional investments in an existing subsidiary by non-controlling interests		250	-	-	-
Costs incurred on biological assets		(33,798)	(23,119)	-	-
Dividend received		41	18	32,291	32,590
Proceeds from disposal of investment securities		60	-	60	-
Proceeds from disposal of property, plant and equipment		10,271	8,234	6,989	8,531
Purchase of investment properties		-	(9,033)	-	-
Purchase of investment securities		(26,051)	(6,000)	(26,051)	(6,000)
Purchase of land held for property held for development		(39)	-	-	-
Purchase of property, plant and equipment	34	(34,899)	(78,815)	(5,025)	(9,845)
NET CASH FOR INVESTING ACTIVITIES		(84,165)	(108,715)	(7,535)	(6,725)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Dividend paid		-	(9,406)	-	(9,406)
Drawdown of term loans		-	20,050	-	-
Net of drawdown/(repayment) of bankers' acceptance		6,952	(11,830)	14,210	-
Net of drawdown/(repayment) of revolving credit		118,000	130,000	88,000	67,500
Purchase of treasury shares	21	(4)	(10)	(4)	(10)
Repayment of hire purchase obligations		(57,435)	(62,320)	(51,732)	(59,001)
Repayment of term loans		(19,026)	(20,359)	-	-
Net increase in amount owing by subsidiaries		-	-	(75,270)	(52,749)
(Increase)/decrease in pledged fixed deposits with licensed banks		(29)	1,560	(11)	(11)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		48,458	47,685	(24,807)	(53,677)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS/ BALANCE CARRIED FORWARD		(8,672)	(30,478)	15,957	(18,098)

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS/ BALANCE BROUGHT FORWARD		(8,672)	(30,478)	15,957	(18,098)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(107)	63	110	(14)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		55,355	85,770	7,189	25,301
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	35	46,576	55,355	23,256	7,189

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office, which is also the principal place of business, is No. 66 – 78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibul, Sarawak.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 11 November 2016.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, extraction and sale of logs. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 1965 in Malaysia.

- 3.1 No new accounting standards and interpretations (including the consequential amendments) have been adopted by the Group during the current financial year.
- 3.2 The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

FRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
FRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 10 and FRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to FRS 101: Disclosure Initiative	1 January 2016
FRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to FRSs 2012 – 2014 Cycle	1 January 2016

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

3. BASIS OF PREPARATION (cont'd)

- 3.3 MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called "transitioning entities").

As further announced by MASB on 28 October 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 July 2019. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(iii) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits 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.

Details of the carrying amounts of recognised deferred tax assets are included in Note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

(iv) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(v) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(vi) Allowance for Expected Credit Losses

The Group makes allowances for expected credit losses based on an assessment of the recoverability of trade and other receivables. The impairment provisions for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The identification of loss allowance requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying amount of the trade and other receivables and loss allowance in the period in which such estimate has been changed.

(vii) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(viii) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 BASIS OF CONSOLIDATION (cont'd)

Business Combinations from 1 August 2011 Onwards

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

Business Combinations before 1 August 2011

All subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Business Combinations from 1 August 2011 Onwards

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

Business Combinations before 1 August 2011

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currencies

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from 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 end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that relates to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests and are not recognised in profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in FRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(i) Financial Assets Measured at Amortised Cost

A financial asset is measured at amortised cost if both of the following conditions are met:-

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income from these financial assets is recognised in profit or loss using the effective interest method.

These financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(ii) Financial Assets Measured at Fair Value through Other Comprehensive Income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:-

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.5 FINANCIAL INSTRUMENTS (cont'd)

(a) Financial Assets (cont'd)

(ii) Financial Assets Measured at Fair Value through Other Comprehensive Income (cont'd)

On initial recognition of an investment in an equity instrument that is not held for trading, the Group may irrevocably elect to present in other comprehensive income subsequent changes in the fair value of the investment. Gains or losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Interest income from debts instruments is recognised in profit or loss using the effective interest method.

These financial assets are classified as non-current assets, except for those having maturity within 12 months after the reporting date, or unless they are expected to be realised within 12 months after the reporting date, which are classified as current assets.

(iii) Financial Assets Measured at Fair Value through Profit or Loss

All other financial assets are classified as measured at fair value through profit or loss. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the conditions to be measured at amortised cost or at fair value through other comprehensive income as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Interest income from these financial assets is recognised in profit or loss.

These financial assets could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

(b) Financial Liabilities

All financial liabilities, other than those categorised as fair value through profit or loss, are classified as subsequently measured at amortised cost using the effective interest method.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.5 FINANCIAL INSTRUMENTS (cont'd)

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

(i) Ordinary Shares

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are 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.

Where treasury shares are sold, the difference between the sales consideration and the carrying amount of the treasury shares are shown as a movement in equity. When the consideration received is more than the carrying amount, the credit difference arising is taken to the share premium account. Where the consideration received is less than the carrying amount, the debit difference is offset against reserves.

(d) 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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. However, the cumulative gain or loss recognised in other comprehensive income in respect of investments in equity instruments designated as measured at fair value through other comprehensive income is not recognised in profit or loss on derecognition of such investments.

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

(e) 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 specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.5 FINANCIAL INSTRUMENTS (cont'd)

(e) Financial Guarantee Contracts (cont'd)

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of loss allowance determined in accordance with FRS 9 and the amount initially recognised less cumulative amortisation.

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is stated at cost less impairment losses, if any, and is not depreciated.

Depreciation of other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	Over the lease periods of 16 to 184 years
Buildings	2% - 10%
Watercrafts, trucks and motor vehicles	10% - 25%
Plant and machinery	5% - 20%
Infrastructure facilities	5% - 10%
Furniture, fittings and equipment	5% - 20%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put into use.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.7 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

4.8 INVESTMENT PROPERTIES

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are within 13 to 908 years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

4.9 LAND HELD FOR PROPERTY DEVELOPMENT

Land held for property development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the Group's normal operating cycle. Such land is classified as a non-current asset and is stated at cost less accumulated impairment losses, if any.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's normal operating cycle.

Costs associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees, other direct development expenditure and related overheads.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.10 INTANGIBLE ASSETS

(a) Computer Software

Computer software is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as capital improvement and added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense as incurred.

Capitalised computer software is subsequently carried at cost less accumulated amortisation and impairment losses, if any. These costs are amortised on a straight-line basis over their estimated useful life of 10 years.

(b) Rights in Timber Licences

Rights in timber licences are expenditure incurred in respect of the acquisition of timber licences.

The rights acquired by the Group are stated at cost less accumulated amortisation and impairment losses, if any. The cost is amortised on a straight-line basis over the remaining tenure of the licence periods, which range from 7 to 15 years.

4.11 BIOLOGICAL ASSETS

Biological assets are stated at cost less accumulated amortisation and impairment losses, if any.

Planting expenditure incurred on land clearing, upkeep of immature trees, administrative expenses directly attributable to planting and interest incurred during the pre-cropping period is capitalised at cost as biological assets. Upon maturity, all subsequent maintenance expenditure is recognised in profit or loss. Pre-cropping cost is amortised on a straight-line basis over 25 years, the expected useful life of trees, upon maturity.

4.12 IMPAIRMENT

(a) Impairment of Financial Assets

At the end of each reporting period, the Group recognises loss allowances for expected credit losses on financial assets that are measured at amortised cost and at fair value through other comprehensive income.

A loss allowance for a financial asset is measured at an amount equal to the lifetime expected credit losses, being the expected credit losses that result from all possible default events over the expected life of the financial asset, if the credit risk on the financial asset has increased significantly since initial recognition, considering all reasonable and supportable information, including that which is forward-looking. If, at the end of the reporting period, the credit risk on the financial asset has not increased significantly since initial recognition, the loss allowance for the financial asset is measured at an amount equal to 12-month expected credit losses, i.e. the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on the financial asset that are possible within the 12 months after the end of the reporting period. As permitted by FRS 9, the loss allowance for expected credit losses on trade receivables is measured at an amount equal to the lifetime expected credit losses.

The amount of the change in expected credit losses is recognised in profit or loss as an impairment gain or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.12 IMPAIRMENT (cont'd)

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which FRS 136 Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4.13 ASSETS UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements as property, plant and equipment and the corresponding obligations are treated as hire purchase payables. The assets capitalised are measured at the lower of the fair value of the leased assets and the present value of the minimum lease payments and are depreciated on the same basis as owned assets. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of charge on the hire purchase outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

4.14 INVENTORIES

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

- (a) Raw materials and general stores – original cost of purchase, determined on a weighted average basis.
- (b) Finished goods and work-in-progress – cost of raw materials, direct labour, and an appropriate proportion of production overheads, determined on a first-in first-out basis.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

4.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.16 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.17 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss and included in the biological assets, where appropriate, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the biological assets, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

4.18 INCOME TAXES

Income tax for the reporting period comprises current tax and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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

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

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 transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.19 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:-
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a) (i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

4.20 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.21 OPERATING SEGMENTS

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.22 EARNINGS PER ORDINARY SHARES

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4.23 BORROWING COSTS

Borrowing costs that directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

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

4.24 FAIR VALUE MEASUREMENTS

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

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

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.25 REVENUE AND OTHER INCOME

(a) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns, cash and trade discounts.

(b) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(c) Contract Fee

Contract fee from timber extraction and reforestation operations are recognised based on the volume of logs extracted and the area planted respectively.

(d) Interest Income

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

(e) Dividend Income

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

(f) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016	2015
	RM'000	RM'000
Unquoted shares, at cost	417,731	401,932
Less: Accumulated impairment losses	(33,751)	(28,751)
	383,980	373,181
	383,980	373,181

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

5. INVESTMENTS IN SUBSIDIARIES (cont'd)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business	Effective Equity Interest		Principal Activities
		2016 %	2015 %	
JPH Logging Sdn. Bhd.	Malaysia	100	100	Logging contractor, provision of handling services and management services
Saraju Holding Sdn. Bhd.	Malaysia	100	100	Extraction and sale of timber logs
Subur Tiasa Forestry Sdn. Bhd.	Malaysia	100	100	Development and maintenance of planted forests and forest plantation contractor
Subur Tiasa Plywood Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of plywood and veneer
Subur Tiasa Particleboard Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of raw and laminated particleboard
Borneo Lumber Industries Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of sawn timber
Grace Million Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of sawn timber
R H Timber Processing Industries Sdn. Bhd.	Malaysia	100	100	Sawmilling of timber
Trimogreen Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of sawn timber and finger-joint moulding
Diamond Biowood Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of charcoal
Excelle Timber Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of charcoal
Homet Raya Sdn. Bhd.	Malaysia	100	100	Supply of electricity
Momawater Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of drinking water
Infrapalm Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Palmlyn Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Tiasa Palm Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Blessings Palm Sdn. Bhd.	Malaysia	100	100	Cultivation of rubber tree
Allied Asiatic Sdn. Bhd.	Malaysia	100	100	Towage and transportation services
JPH Enterprise Sdn. Bhd.	Malaysia	100	100	Insurance agency

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

5. INVESTMENTS IN SUBSIDIARIES (cont'd)

The details of the subsidiaries are as follows (cont'd):-

Name of Subsidiary	Principal Place of Business	Effective Equity Interest		Principal Activities
		2016 %	2015 %	
Tiasa Cergas Sdn. Bhd.	Malaysia	100	100	Insurance agency
Blessings Realty Sdn. Bhd.	Malaysia	100	100	Property holding and development
Joyful Realty Sdn. Bhd.	Malaysia	100	100	Property holding and development
Supreme Standard Development Sdn. Bhd.	Malaysia	100	100	Property holding and development
Victory Round Sdn. Bhd.	Malaysia	100	100	Investment holding
Sarawak Plywood (M) Sdn. Bhd.	Malaysia	100	100	Dormant
T. Q. Oriental Sdn. Bhd.	Malaysia	100	100	Dormant
AA Plywood Sdn. Bhd.	Malaysia	100	100	Dormant
Semarak Veneer & Plywood Sdn. Bhd.	Malaysia	100	100	Dormant
Tiasa Mesra Sdn. Bhd.	Malaysia	100	100	Dormant
Honeybrix Sdn. Bhd. (formerly known as Onfire Charcoal Sdn. Bhd.)	Malaysia	100	100	Dormant
Mamo Sdn. Bhd.	Malaysia	100	100	Dormant
Momaspace Sdn. Bhd. (formerly known as Momamizu Sdn. Bhd.)	Malaysia	100	100	Dormant
Momaworld Sdn. Bhd.	Malaysia	100	100	Dormant
Merri Sdn. Bhd.	Malaysia	100	100	Dormant
Merri Mee Sdn. Bhd.	Malaysia	100	100	Dormant
Merri Marketing Sdn. Bhd.	Malaysia	100	100	Dormant
United Superland Sdn. Bhd.	Malaysia	100	100	Dormant
Subur Properties Sdn. Bhd.	Malaysia	100	-	Investment holding
Subur Tiasa R&D Sdn. Bhd.	Malaysia	100	-	Dormant
Subur Global Pte. Ltd. [^]	Singapore	100	-	Provision of consultancy services
LX Photonics Sdn. Bhd.	Malaysia	100	-	Dormant
Hahn Fert Sdn. Bhd.	Malaysia	100	-	Dormant

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

5. INVESTMENTS IN SUBSIDIARIES (cont'd)

The details of the subsidiaries are as follows (cont'd):-

Name of Subsidiary	Principal Place of Business	Effective Equity Interest		Principal Activities
		2016 %	2015 %	
<i>Subsidiary of Victory Round Sdn. Bhd.:-</i>				
Victory Pelita Kabah Sdn. Bhd.	Malaysia	60	60	Cultivation of oil palm
<i>Subsidiaries of Subur Properties Sdn Bhd:-</i>				
Prestige Superland Sdn. Bhd.	Malaysia	100	-	Dormant
Tiasa Heights Sdn. Bhd.	Malaysia	100	-	Dormant

^ Not required to be audited under the laws of the country of incorporation.

- (a) During the financial year, the Company has carried out a review of the recoverable amounts of its investments in certain subsidiaries that had been persistently making losses. An impairment loss of RM5,000,000 (2015: Nil), representing the write-down of the investment to its recoverable amount, was recognised in "Other Expenses" line item of the Statement of Profit or Loss and Other Comprehensive Income.

The investment in subsidiaries is belonged to the Group's timber reportable segment.

- (b) The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2016 %	2015 %	2016 RM'000	2015 RM'000
Victory Pelita Kabah Sdn. Bhd.	40	40	951	(40)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

5. INVESTMENTS IN SUBSIDIARIES (cont'd)

- (c) The summarised financial information (before intra-group elimination) for the subsidiary that has non-controlling interests is as follows:-

	Victory Pelita Kabah Sdn. Bhd.	
	2016	2015
	RM'000	RM'000
<u>At 31 July</u>		
Non-current assets	12,354	4,591
Current assets	982	135
Non-current liabilities	(112)	-
Current liabilities	(10,845)	(4,825)
Net assets/(liabilities)	<u>2,379</u>	<u>(99)</u>
<u>Financial Year Ended 31 July</u>		
Revenue	-	-
Loss for the year	(22)	(17)
Total comprehensive income	<u>(22)</u>	<u>(17)</u>
Total comprehensive income attributable to non-controlling interests	(9)	(7)
Dividends paid to non-controlling interests	<u>-</u>	<u>-</u>
Net cash flows from/(for) operating activities	912	(263)
Net cash flows for investing activities	(7,257)	(4,156)
Net cash flows from financing activities	<u>7,147</u>	<u>4,380</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

6. PROPERTY, PLANT AND EQUIPMENT

The Group

2016

Net Book Value

	At 1.8.2015 RM'000 (Restated)	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassifi- cations RM'000	Depreciation Charge RM'000	At 31.7.2016 RM'000
Freehold land	17,245	-	-	-	-	-	17,245
Long leasehold land	23,671	750	-	-	(488)	(391)	23,542
Short leasehold land	54,684	-	-	-	2,533	(1,491)	55,726
Buildings	93,673	5,326	(1,707)	-	26,424	(8,001)	115,715
Watercrafts, trucks and motor vehicles	289,167	4,898	(5,322)	-	2,184	(49,087)	241,840
Plant and machinery	62,867	1,411	(63)	(3)	53,994	(13,055)	105,151
Infrastructure facilities	19,446	394	-	(3)	2,965	(8,210)	14,592
Furniture, fittings and equipment	7,565	3,608	(67)	(19)	2,906	(1,740)	12,253
Capital work-in-progress	91,203	22,921	(5,090)	-	(88,477)	-	20,557
	<u>659,521</u>	<u>39,308</u>	<u>(12,249)</u>	<u>(25)</u>	<u>2,041</u>	<u>(81,975)</u>	<u>606,621</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	At 1.8.2014 RM'000 (Restated)	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassi- fications RM'000	Depreciation Charge RM'000 (Restated)	At 31.7.2015 RM'000 (Restated)
The Group							
2015							
<i>Net Book Value</i>							
Freehold land	17,245	-	-	-	-	-	17,245
Long leasehold land	24,365	-	-	-	-	(694)	23,671
Short leasehold land	55,778	-	-	-	304	(1,398)	54,684
Buildings	81,007	5,701	(1,382)	(6)	14,666	(6,313)	93,673
Watercrafts, trucks and motor vehicles	323,781	15,860	(11,261)	-	12,480	(51,693)	289,167
Plant and machinery	72,033	502	1,020	(1)	1,983	(12,670)	62,867
Infrastructure facilities	27,565	5,550	-	(13)	1,012	(14,668)	19,446
Furniture, fittings and equipment	8,572	1,433	(29)	(73)	(843)	(1,495)	7,565
Capital work-in-progress	39,389	81,416	-	-	(29,602)	-	91,203
	<u>649,735</u>	<u>110,462</u>	<u>(11,652)</u>	<u>(93)</u>	<u>-</u>	<u>(88,931)</u>	<u>659,521</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group	At Cost RM'000 (Restated)	Accumulated Depreciation RM'000 (Restated)	Accumulated Impairment Losses RM'000	Net Book Value RM'000 (Restated)
2016				
Freehold land	17,245	-	-	17,245
Long leasehold land	25,227	(1,685)	-	23,542
Short leasehold land	72,719	(16,993)	-	55,726
Buildings	225,828	(106,679)	(3,434)	115,715
Watercrafts, trucks and motor vehicles	532,869	(291,029)	-	241,840
Plant and machinery	426,244	(319,599)	(1,494)	105,151
Infrastructure facilities	109,396	(94,804)	-	14,592
Furniture, fittings and equipment	35,177	(22,924)	-	12,253
Capital work-in-progress	20,557	-	-	20,557
	<u>1,465,262</u>	<u>(853,713)</u>	<u>(4,928)</u>	<u>606,621</u>
2015				
Freehold land	17,245	-	-	17,245
Long leasehold land	24,965	(1,294)	-	23,671
Short leasehold land	70,186	(15,502)	-	54,684
Buildings	196,121	(99,014)	(3,434)	93,673
Watercrafts, trucks and motor vehicles	534,989	(245,822)	-	289,167
Plant and machinery	372,264	(307,903)	(1,494)	62,867
Infrastructure facilities	106,045	(86,599)	-	19,446
Furniture, fittings and equipment	28,940	(21,375)	-	7,565
Capital work-in-progress	91,203	-	-	91,203
	<u>1,441,958</u>	<u>(777,509)</u>	<u>(4,928)</u>	<u>659,521</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company	At		Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassifi- cations RM'000	Depreciation Charge RM'000	At 31.7.2016 RM'000
	1.8.2015 RM'000 (Restated)							
2016								
<i>Net Book Value</i>								
Long leasehold land	1,844	-	-	-	-	-	(33)	1,811
Short leasehold land	11,897	-	-	-	-	-	(327)	11,570
Buildings	13,157	86	-	-	-	-	(713)	12,530
Watercrafts, trucks and motor vehicles	236,927	802	(5,084)	-	-	1,080	(38,162)	195,563
Plant and machinery	932	-	-	-	-	-	(225)	707
Infrastructure facilities	4,908	-	-	-	-	-	(4,503)	405
Furniture, fittings and equipment	3,206	-	(31)	-	(2)	-	(903)	5,162
Capital work-in-progress	2,496	1,330	-	-	-	(1,080)	-	2,746
	<u>275,367</u>	<u>5,110</u>	<u>(5,115)</u>	<u>(2)</u>	<u>(2)</u>	<u>-</u>	<u>(44,866)</u>	<u>230,494</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company

2015

Net Book Value

	At 1.8.2014 RM'000 (Restated)	Additions RM'000	Disposals RM'000	Reclassifi- cations RM'000	Depreciation Charge RM'000 (Restated)	At 31.7.2015 RM'000 (Restated)
Long leasehold land	1,896	-	-	-	(52)	1,844
Short leasehold land	12,224	-	-	-	(327)	11,897
Buildings	11,777	2,018	-	-	(638)	13,157
Watercrafts, trucks and motor vehicles	273,117	6,907	(11,613)	9,614	(41,098)	236,927
Plant and machinery	1,706	-	(372)	-	(402)	932
Infrastructure facilities	15,283	895	-	-	(11,270)	4,908
Furniture, fittings and equipment	3,114	734	(18)	187	(811)	3,206
Capital work-in-progress	962	11,335	-	(9,801)	-	2,496
	<u>320,079</u>	<u>21,889</u>	<u>(12,003)</u>	<u>-</u>	<u>(54,598)</u>	<u>275,367</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	At Cost RM'000 (Restated)	Accumulated Depreciation RM'000 (Restated)	Accumulated Impairment Losses RM'000	Net Book Value RM'000 (Restated)
The Company				
2016				
Long leasehold land	2,575	(764)	-	1,811
Short leasehold land	12,605	(1,035)	-	11,570
Buildings	21,100	(6,635)	(1,935)	12,530
Watercrafts, trucks and motor vehicles	397,669	(202,106)	-	195,563
Plant and machinery	3,084	(2,377)	-	707
Infrastructure facilities	70,129	(69,724)	-	405
Furniture, fittings and equipment	19,579	(14,417)	-	5,162
Capital work-in-progress	2,746	-	-	2,746
	<u>529,487</u>	<u>(297,058)</u>	<u>(1,935)</u>	<u>230,494</u>
2015				
Long leasehold land	2,575	(731)	-	1,844
Short leasehold land	12,605	(708)	-	11,897
Buildings	21,014	(5,922)	(1,935)	13,157
Watercrafts, trucks and motor vehicles	403,817	(166,890)	-	236,927
Plant and machinery	3,084	(2,152)	-	932
Infrastructure facilities	70,129	(65,221)	-	4,908
Furniture, fittings and equipment	16,842	(13,636)	-	3,206
Capital work-in-progress	2,496	-	-	2,496
	<u>532,562</u>	<u>(255,260)</u>	<u>(1,935)</u>	<u>275,367</u>

- (a) Included in the depreciation charge of the Group for the financial year is an amount of RM2,629,000 (2015: RM1,575,000), which is capitalised under biological assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (b) The net book value of property, plant and equipment acquired under hire purchase terms is as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Watercrafts, trucks and motor vehicles	158,613	198,939	145,488	190,103
Plant and machinery	20,216	158	386	158
Capital work-in-progress	-	12,682	-	-
	<u>178,829</u>	<u>211,779</u>	<u>145,874</u>	<u>190,261</u>

- (c) The net book value of property, plant and equipment pledged to licensed banks as security for banking facilities granted to the Group (Note 23) is as follows:-

	The Group	
	2016 RM'000	2015 RM'000
Short leasehold land	2,481	2,533
Buildings	25,041	7,466
Watercrafts, trucks and motor vehicles	6,599	7,209
Plant and machinery	64,378	37,309
Infrastructure facilities	6,033	5,022
Furniture, fittings and equipment	3,089	397
Capital work-in-progress	298	52,710
	<u>107,919</u>	<u>112,646</u>

- (d) Included in property, plant and equipment of the Group and of the Company at the end of the reporting period were watercrafts, trucks and motor vehicles with a total net book value of RM11,303,000 and RM327,000 (2015: RM13,745,000 and RM488,000) respectively, of which the titles of these assets have yet to be registered in the name of the Company and its subsidiaries.
- (e) Certain buildings of the Group with a total net book value of RM2,368,000 (2015: RM1,303,000) are situated on land which is held by a company in which a director of certain subsidiaries and certain substantial shareholders of the Company have financial interests.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

7. INVESTMENT PROPERTIES

	The Group	
	2016 RM'000	2015 RM'000 (Restated)
Cost:-		
At 1 August	82,582	73,549
Addition during the financial year	-	9,033
Reclassified to property, plant and equipment	(2,093)	-
Reclassified to land held for property development	(6,044)	-
At 31 July	74,445	82,582
Accumulated depreciation:-		
At 1 August	11,640	8,606
Depreciation during the financial year	3,044	3,034
Reclassified to property, plant and equipment	(48)	-
Reclassified to land held for property development	(78)	-
At 31 July	14,558	11,640
Net book value:-		
At 31 July	59,887	70,942
Represented by:-		
Long leasehold land	16,365	24,495
Short leasehold land	43,522	46,447
At 31 July	59,887	70,942
Fair value	90,140	103,555

The fair values of the investment properties are within level 3 of the fair value hierarchy and are arrived at based on directors' valuation with reference to market evidence of transaction prices for similar properties performed by registered valuers having appropriate recognised professional qualification and experience. The most significant input into this valuation approach is the price per acre of comparable properties.

8. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group	
	2016 RM'000	2015 RM'000
Cost:-		
At 1 August	-	-
Reclassified from investment properties	5,966	-
Addition during the financial year	39	-
At 31 July	6,005	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

9. INTANGIBLE ASSETS

	At 1.8.2015 RM'000	Amortisation Charge RM'000	At 31.7.2016 RM'000
The Group			
2016			
<i>Net Book Value</i>			
Rights in timber licences	7,161	(5,540)	1,621
	<u>7,161</u>	<u>(5,540)</u>	<u>1,621</u>
	At 1.8.2014 RM'000	Amortisation Charge RM'000	At 31.7.2015 RM'000
The Group			
2015			
<i>Net Book Value</i>			
Rights in timber licences	17,301	(10,140)	7,161
	<u>17,301</u>	<u>(10,140)</u>	<u>7,161</u>
	At Cost RM'000	Accumulated Amortisation RM'000	Net Book Value RM'000
The Group			
2016			
Computer software	19,014	(19,014)	-
Rights in timber licences	206,137	(204,516)	1,621
	<u>225,151</u>	<u>(223,530)</u>	<u>1,621</u>
2015			
Computer software	19,014	(19,014)	-
Rights in timber licences	206,137	(198,976)	7,161
	<u>225,151</u>	<u>(217,990)</u>	<u>7,161</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

9. INTANGIBLE ASSETS (cont'd)

	At 1.8.2015 RM'000	Amortisation Charge RM'000	At 31.7.2016 RM'000
The Company			
2016			
<i>Net Book Value</i>			
Rights in timber licences	2,298	(2,298)	-
	<u>2,298</u>	<u>(2,298)</u>	<u>-</u>
	At 1.8.2014 RM'000	Amortisation Charge RM'000	At 31.7.2015 RM'000
The Company			
2015			
<i>Net Book Value</i>			
Rights in timber licences	9,197	(6,899)	2,298
	<u>9,197</u>	<u>(6,899)</u>	<u>2,298</u>
	At Cost RM'000	Accumulated Amortisation RM'000	Net Book Value RM'000
The Company			
2016			
Rights in timber licences	183,447	(183,447)	-
	<u>183,447</u>	<u>(183,447)</u>	<u>-</u>
2015			
Rights in timber licences	183,447	(181,149)	2,298
	<u>183,447</u>	<u>(181,149)</u>	<u>2,298</u>

The Group has 5 timber licences. The timber licences will expire in the years 2016 to 2017. The directors are of the view that all the timber licences are renewable.

10. BIOLOGICAL ASSETS

	The Group	
	2016 RM'000	2015 RM'000
Cost:-		
At 1 August	183,260	156,272
Addition during the financial year	38,850	26,988
Reclassified from property, plant and equipment	4	
Transferred from inventories	1,568	-
At 31 July	<u>223,682</u>	<u>183,260</u>
Accumulated amortisation:-		
At 1 August	18,002	13,309
Amortisation during the financial year	5,082	4,693
At 31 July	<u>23,084</u>	<u>18,002</u>
Net book value:-		
At 31 July	<u>200,598</u>	<u>165,258</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

10. BIOLOGICAL ASSETS (cont'd)

(a) The biological assets include the following expenses:-

	The Group	
	2016 RM'000	2015 RM'000
Depreciation of property, plant and equipment	2,629	1,575
Finance costs:-		
- hire purchase obligations	53	88
- term loans	2,370	2,206
Rental of equipment	1,072	1,171
Staff costs:-		
- short-term employee benefits	8,054	3,983
- defined contribution plans	561	227
	<u>2,629</u>	<u>1,575</u>

(b) The net book value of biological assets pledged to licensed banks as security for banking facilities granted to the Group (Note 23) is RM160,875,000 (2015: RM152,353,000).

(c) Included in biological assets of the Group is an oil palm plantation with a net book value of RM95,674,000 (2015: RM83,652,000), which is situated on a land held by a company in which a substantial shareholder of the Company has financial interests. The Group has the right to develop and harvest from the plantation for a period of 25 years from the date of field planting.

11. INVESTMENT SECURITIES

	The Group/The Company	
	2016 RM'000	2015 RM'000
Quoted outside Malaysia:-		
- debt securities	352	256
- equity investments	5,290	9,669
Quoted in Malaysia:-		
- equity investments	25,080	361
Unquoted in Malaysia:-		
- equity investments	6,000	6,000
	<u>36,722</u>	<u>16,286</u>
Represented by:-		
At cost	6,000	6,000
At fair value	30,722	10,286
	<u>36,722</u>	<u>16,286</u>
Market value of quoted investments:-		
- debt securities	352	256
- equity investments	30,370	10,030
	<u>30,722</u>	<u>10,286</u>

The investments are measured at fair value, except for unquoted equity investments, which are stated at cost as their fair value cannot be reliably measured using valuation techniques due to the lack of marketability of the investments. The directors are of the view that cost of the unquoted equity instruments is an appropriate estimate of fair value as there have been no significant changes in the performance of the investee and the economic environment in which it operates.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

12. GOODWILL

	The Group	
	2016 RM'000	2015 RM'000
Cost:-		
At 1 August/31 July	2,720	2,720

- (a) Goodwill acquired through business combination has been allocated to the Group's oil palm plantation cash-generating unit, which belongs to plantation reportable segment.
- (b) The Group has assessed the recoverable amount of goodwill allocated and determined that no impairment is required. The recoverable amount of the cash-generating unit is determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amount are as follows:-
- (i) Discount rate (pre-tax) – an estimate of pre-tax rate that reflects specific risks relating to oil palm plantation, which is 9.5% (2015: 13.8%) per annum.
 - (ii) Growth rate – management's estimate of commodity prices, oil palm yields and oil extraction rates.
 - (iii) Selling prices of fresh fruit bunches – an estimate based on expectations of future changes in the market.
 - (iv) Development and direct costs – an estimate based on past practices and experience.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating unit and are based on both external sources and internal historical data.

- (c) The directors believe that there is no reasonable possible change in the above key assumptions applied that is likely to materially cause the carrying amount of the cash-generating unit to be exceeded its recoverable amount.

13. LONG-TERM RECEIVABLE

Long-term receivable represents an advance payment made to a third party in respect of the purchase of all merchantable timber logs from a forest concession for a period of 20 years (with 5 years remaining at the end of the reporting period). This amount will be set off against the amount payable for future purchases of timber logs from this third party.

14. DEFERRED TAX

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 August	(1,148)	7,749	(2,748)	1,520
Recognised in profit or loss (Note 30)	2,475	(8,897)	(1,063)	(4,268)
At 31 July	1,327	(1,148)	(3,811)	(2,748)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

14. DEFERRED TAX (cont'd)

The deferred tax is attributable to the following:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment, and biological assets	59,932	53,943	(2,019)	(819)
Intangible assets	5,115	6,050	-	-
Inventories	(867)	(998)	(100)	(54)
Receivables	(1,469)	(1,438)	(1,421)	(1,398)
Accrued liabilities	(452)	(640)	(276)	(473)
Unrealised (loss)/gain on foreign exchange	(176)	(94)	5	(4)
Unabsorbed investment tax allowance	(10,442)	(11,670)	-	-
Unused tax losses	(17,473)	(15,130)	-	-
Unabsorbed capital/agriculture allowance	(32,841)	(31,171)	-	-
	<u>1,327</u>	<u>(1,148)</u>	<u>(3,811)</u>	<u>(2,748)</u>

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relates to the same taxable entity and the same taxation authority. The amounts determined after appropriate offsetting are included in the statements of financial position as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax liabilities	23,131	20,626	-	-
Deferred tax assets	(21,804)	(21,774)	(3,811)	(2,748)
	<u>1,327</u>	<u>(1,148)</u>	<u>(3,811)</u>	<u>(2,748)</u>

No deferred tax assets are recognised in respect of the following items as it is not probable that taxable profits of certain subsidiaries will be available against which the deductible temporary differences, the carryforward tax losses and tax credits can be utilised:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deductible temporary differences	776	163	-	-
Unabsorbed investment tax allowance	7,745	7,745	-	-
Unused tax losses	5,596	1,407	-	-
Unabsorbed capital/agriculture allowance	4,177	838	2,472	-
	<u>18,294</u>	<u>10,153</u>	<u>2,472</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

15. INVENTORIES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost:-				
Raw materials				
- logs	14,405	18,719	7,757	10,335
- waste timber	324	202	-	-
- others	544	337	-	-
Finished goods				
- bottled water	698	-	-	-
- charcoal	1,618	730	-	-
- particleboard	8,058	8,008	-	-
- sawn timber	3,813	23,173	-	-
Work-in-progress	9,874	11,977	-	765
General stores	37,721	33,557	1,722	1,827
	<u>77,055</u>	<u>96,703</u>	<u>9,479</u>	<u>12,927</u>
At net realisable value:-				
Raw materials				
- logs	1,803	1,506	-	1,506
Finished goods				
- plywood	44,341	54,894	-	-
- sawn timber	6,100	-	-	-
Work-in-progress	36,587	24,984	-	-
	<u>88,831</u>	<u>81,384</u>	<u>-</u>	<u>1,506</u>
	<u><u>165,886</u></u>	<u><u>178,087</u></u>	<u><u>9,479</u></u>	<u><u>14,433</u></u>

16. TRADE RECEIVABLES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables:-				
- third parties	29,916	29,557	10,897	6,948
- related parties	20,463	33,256	4,126	5,677
	<u>50,379</u>	<u>62,813</u>	<u>15,023</u>	<u>12,625</u>
Less: Allowance for impairment losses	(1,752)	(1,752)	(18)	(18)
	<u>48,627</u>	<u>61,061</u>	<u>15,005</u>	<u>12,607</u>
	<u><u>48,627</u></u>	<u><u>61,061</u></u>	<u><u>15,005</u></u>	<u><u>12,607</u></u>
Allowance for impairment losses:-				
At 1 August/31 July	1,752	1,752	18	18
	<u>1,752</u>	<u>1,752</u>	<u>18</u>	<u>18</u>

The Group's normal trade credit terms range from 30 to 180 (2015: 30 to 180) days.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables:-				
- third parties	7,094	14,282	3,473	5,081
- related parties	15,521	5,260	15,521	5,260
	22,615	19,542	18,994	10,341
Deposits	24,228	3,653	21,186	3,290
Prepayments	4,671	3,732	3,960	3,504
	51,514	26,927	44,140	17,135
Less: Allowance for impairment losses	(105)	(105)	(79)	(79)
	51,409	26,822	44,061	17,056
Allowance for impairment losses:-				
At 1 August/31 July	105	105	79	79

- (a) The amount owing by related parties is unsecured, interest-free and repayable on demand.
- (b) Included in deposits of the Group and of the Company is an amount of RM20,000,000 (2015: Nil), which represents a deposit placement with a company in which a substantial shareholder of the Company has financial interests, for the purchase of machinery and equipment necessary to facilitate the ordinary course of business of the Company and its subsidiaries.

18. AMOUNT OWING BY/(TO) SUBSIDIARIES

	The Company	
	2016 RM'000	2015 RM'000
Amount owing by subsidiaries		
Trade balances	-	42,631
Non-trade balances	266,347	193,901
	266,347	236,532
Less: Allowance for impairment losses		
- non-trade balances	(21,556)	(21,556)
	244,791	214,976
Allowance for impairment losses:-		
At 1 August/31 July	21,556	21,556
Amount owing to subsidiaries		
Trade balances	25,935	19,454
Non-trade balances	32,041	34,865
	57,976	54,319

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

18. AMOUNT OWING BY/(TO) SUBSIDIARIES (cont'd)

- (a) Included in the non-trade balances is an amount of RM26,414,000 (2015: RM24,559,000) receivable from subsidiaries, which earns interest at rates ranging from 4.70% to 5.50% (2015: 4.70%) per annum. The remaining balances are unsecured, interest-free and repayable on demand.
- (b) Amount owing by subsidiaries that are individually determined to be impaired relate to subsidiaries that have been suffering significant financial losses.

19. DEPOSITS WITH LICENSED BANKS

- (a) The deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest at rates ranging from 2.50% to 3.30% (2015: 2.70% to 3.30%) per annum and 2.50% to 3.30% (2015: 2.70% to 3.30%) per annum respectively.
- (b) Included in deposits with licensed banks of the Group and of the Company at the end of the reporting period were RM951,000 (2015: RM922,000) and RM357,000 (2015: RM346,000) respectively, which have been pledged to licensed banks as security for banking facilities granted to the Company and its certain subsidiaries.

20. SHARE CAPITAL

	The Group/The Company			
	2016	2015	2016	2015
	Number of Shares ('000)		RM'000	RM'000
Ordinary shares of RM1 each:-				
Authorised	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid-up	209,000	209,000	209,000	209,000

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

21. TREASURY SHARES

During the financial year, the Company has purchased 2,300 (2015: 5,000) of its issued ordinary shares from the open market at an average price of RM1.51 (2015: RM1.97) per share. The total consideration paid for the purchase was RM3,644 (2015: RM10,485) including transaction costs. The ordinary shares purchased are held as treasury shares in accordance with Section 67A of the Companies Act 1965.

Of the total 209,000,000 issued and fully paid-up ordinary shares at the end of the reporting period, 20,878,200 (2015: 20,875,900) ordinary shares are held as treasury shares by the Company. None of the treasury shares were resold or cancelled during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

22. RESERVES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable:-				
- share premium	59,680	59,680	59,680	59,680
- fair value reserve	(24,439)	(18,798)	(24,439)	(18,798)
	<u>35,241</u>	<u>40,882</u>	<u>35,241</u>	<u>40,882</u>
Distributable:-				
Retained profits	440,517	478,785	437,622	426,125
	<u>475,758</u>	<u>519,667</u>	<u>472,863</u>	<u>467,007</u>

- (a) The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.
- (b) The fair value reserve represents the fair value gains and losses of the investments in equity instruments that are not held for trading, which the Company has elected at initial recognition to present such gains and losses through other comprehensive income. The gains and losses within this reserve are never reclassified to profit or loss. However, the Company may transfer the cumulative gains or losses within equity when these investments are derecognised.

23. BANK BORROWINGS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Long-term borrowings:-				
- hire purchase obligations (Note 24)	23,295	69,918	10,621	54,392
- term loans, secured	72,964	87,102	-	-
	<u>96,259</u>	<u>157,020</u>	<u>10,621</u>	<u>54,392</u>
Short-term borrowings:-				
- bankers' acceptance, unsecured	30,622	23,670	14,210	-
- hire purchase obligations (Note 24)	50,196	57,349	44,037	51,913
- revolving credit, secured	6,000	6,000	-	-
- revolving credit, unsecured	292,000	174,000	205,500	117,500
- term loans, secured	14,087	18,975	-	-
	<u>392,905</u>	<u>279,994</u>	<u>263,747</u>	<u>169,413</u>
Total bank borrowings	<u>489,164</u>	<u>437,014</u>	<u>274,368</u>	<u>223,805</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

23. BANK BORROWINGS (cont'd)

The term loans are repayable as follows:-

	The Group	
	2016 RM'000	2015 RM'000
Current:-		
- not later than 1 year	14,087	18,975
Non-current:-		
- later than 1 year and not later than 2 years	13,050	13,967
- later than 2 years and not later than 5 years	32,014	34,085
- later than 5 years	27,900	39,050
	72,964	87,102
	<u>87,051</u>	<u>106,077</u>

The bank borrowings of the Group are secured by:-

- a fixed charge over a subsidiary's landed properties;
- debentures over certain subsidiaries' fixed and floating assets, both present and in the future;
- deposits with licensed banks of certain subsidiaries; and
- a corporate guarantee provided by the Company.

The bankers' acceptance of the Group and of the Company at the end of the reporting period bore effective interest at rate of 4.14% and 4.19% (2015: 4.13% and Nil) per annum respectively.

The revolving credit of the Group and of the Company at the end of the reporting period bore effective interest at rate of 4.62% and 4.55% (2015: 4.66% and 4.53%) per annum respectively.

The term loans of the Group at the end of the reporting period bore effective interest at rate of 4.94% (2015: 5.02%) per annum.

24. HIRE PURCHASE OBLIGATIONS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Minimum hire purchase payments:-				
- not later than 1 year	52,545	62,272	45,592	55,860
- later than 1 year and not later than 2 years	16,621	51,475	10,278	45,385
- later than 2 years and not later than 5 years	7,708	21,418	569	10,754
	<u>76,874</u>	<u>135,165</u>	<u>56,439</u>	<u>111,999</u>
Less: Future finance charges	(3,383)	(7,898)	(1,781)	(5,694)
Present value of hire purchase obligations	<u>73,491</u>	<u>127,267</u>	<u>54,658</u>	<u>106,305</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

24. HIRE PURCHASE OBLIGATIONS (cont'd)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current:-				
- not later than 1 year	50,196	57,349	44,037	51,913
Non-current:-				
- later than 1 year and not later than 2 years	15,922	49,291	10,061	43,843
- later than 2 years and not later than 5 years	7,373	20,627	560	10,549
	23,295	69,918	10,621	54,392
	<u>73,491</u>	<u>127,267</u>	<u>54,658</u>	<u>106,305</u>

- (a) The hire purchase obligations of the Group and of the Company are secured by watercrafts, trucks and motor vehicles, and plant and machinery under hire purchase.
- (b) The hire purchase obligations of the Group and of the Company at the end of the reporting period bore effective interest at rate of 4.87% and 4.85% (2015: 4.86% and 4.85%) per annum respectively. The interest rates are fixed at the inception of the hire purchase arrangements.

25. TRADE PAYABLES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables:-				
- third parties	60,162	91,088	17,667	24,926
- related parties	29,529	26,644	9,965	8,447
	<u>89,691</u>	<u>117,732</u>	<u>27,632</u>	<u>33,373</u>

The normal trade credit terms granted to the Group and the Company range from 30 to 180 (2015: 30 to 180) days.

26. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other payables:-				
- third parties	10,707	9,194	1,691	1,140
- related parties	1,332	-	1,299	-
	12,039	9,194	2,990	1,140
Deposits	335	373	-	-
Accruals	11,891	10,578	6,627	3,739
	<u>24,265</u>	<u>20,145</u>	<u>9,617</u>	<u>4,879</u>

The amount owing to related parties is unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

27. REVENUE

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Dividend income	-	-	32,250	32,572
Contract fee from timber extraction and reforestation	27,672	96,047	362	1,681
Sale of charcoal	11,333	10,291	-	-
Sale of fresh fruit bunches	51,187	43,553	-	-
Sale of logs	150,111	188,486	260,889	389,668
Sale of plywood	196,334	271,424	-	-
Sale of raw and laminated particleboard	59,835	64,241	-	-
Sale of sawn timber, finger-joint moulding and by-products	56,077	78,534	-	-
Others	2,054	1,455	-	-
	<u>554,603</u>	<u>754,031</u>	<u>293,501</u>	<u>423,921</u>

28. FINANCE COSTS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on financial liabilities not at fair value through profit or loss:-				
- bankers' acceptance	1,662	1,119	101	-
- hire purchase obligations	4,952	7,192	3,923	6,687
- revolving credit	12,013	5,827	10,382	5,662
- term loans	4,826	5,348	-	-
	<u>23,453</u>	<u>19,486</u>	<u>14,406</u>	<u>12,349</u>
Less: Amount capitalised under biological assets (Note 10)	(2,423)	(2,294)	-	-
	<u>21,030</u>	<u>17,192</u>	<u>14,406</u>	<u>12,349</u>

29. (LOSS)/PROFIT BEFORE TAXATION

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/profit before taxation is arrived at after charging/(crediting):-				
Amortisation of biological assets	5,082	4,693	-	-
Amortisation of intangible assets	5,540	10,140	2,298	6,899
Audit fees:-				
- current financial year	194	246	37	42
- overprovision in the previous financial year	-	(1)	-	-
Depreciation of investment properties	3,044	3,034	-	-
Depreciation of property, plant and equipment	79,346	87,356	44,866	54,598
Directors' remuneration (Note 36)	4,189	4,269	4,150	4,230

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

29. (LOSS)/PROFIT BEFORE TAXATION (cont'd)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/profit before taxation is arrived at after charging/(crediting) (cont'd):-				
Dividend income from investment securities:-				
- quoted equity investments in Malaysia	(31)	(18)	(31)	(18)
- quoted equity investments outside Malaysia	(10)	-	(10)	-
Dividend income from subsidiaries	-	-	(32,250)	(32,572)
Fair value gain on investment securities	(86)	-	(86)	-
Finance costs (Note 28)	21,030	17,192	14,406	12,349
Impairment losses on investments in subsidiaries	-	-	5,000	-
Interest income on financial assets not at fair value through profit or loss:-				
- deposits with licensed banks	(1,002)	(1,308)	(473)	(437)
- advances to subsidiaries	-	-	(1,215)	(865)
Loss/(gain) on disposal of property, plant and equipment	1,978	3,418	(1,874)	3,472
Loss/(gain) on foreign exchange:-				
- realised	2,993	(16,317)	1,273	(9,580)
- unrealised	587	(118)	(23)	16
Management fee income	-	(768)	(234)	(768)
Property, plant and equipment written off	25	93	2	-
Rental expense on:-				
- buildings	201	190	109	87
- land	797	1,165	552	370
- equipment and vehicles	822	433	37	38
Rental income on:-				
- buildings	(227)	(177)	(18)	-
- land	(46)	(168)	(145)	(176)
- equipment	-	-	(1,014)	(1,141)
Reversal of write-down of inventories	(710)	(1,386)	-	-
Staff costs (including other key management personnel as disclosed in Note 36):-				
- short-term employee benefits	96,250	123,219	22,368	21,456
- defined contribution plans	7,061	8,033	2,663	2,763
Write-down of inventories	196	-	196	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

30. INCOME TAX EXPENSE

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current tax:-				
- current financial year	2,347	10,521	-	8,363
- overprovision in the previous financial year	(3,805)	(1,813)	(3,664)	(1,084)
	<u>(1,458)</u>	<u>8,708</u>	<u>(3,664)</u>	<u>7,279</u>
Deferred tax (Note 14):-				
- origination and reversal of temporary differences	230	(9,844)	(1,536)	(4,607)
- under provision in the previous financial year	2,245	947	473	339
	<u>2,475</u>	<u>(8,897)</u>	<u>(1,063)</u>	<u>(4,268)</u>
	<u><u>1,017</u></u>	<u><u>(189)</u></u>	<u><u>(4,727)</u></u>	<u><u>3,011</u></u>

A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/profit before taxation	<u>(37,260)</u>	<u>2,366</u>	<u>6,770</u>	<u>39,062</u>
Tax at the statutory tax rate of 24% (2015: 25%)	(8,942)	592	1,625	9,766
Tax effects of:-				
Deferred tax recognised at different tax rates	-	410	-	192
Non-taxable income	(9,933)	-	(8,438)	(8,203)
Non-deductible expenses	14,181	5,584	2,805	2,344
Double deductions	(1,320)	(2,887)	-	-
Deferred tax assets not recognised during the financial year	9,090	95	2,472	-
Utilisation of deferred tax assets previously not recognised	(949)	(2,437)	-	-
(Over)/under provision in the previous financial year:-				
- current tax	(3,805)	(1,813)	(3,664)	(1,084)
- deferred tax	2,245	947	473	339
Others	450	(680)	-	(343)
	<u>(3,805)</u>	<u>(1,813)</u>	<u>(3,664)</u>	<u>(1,084)</u>
	<u>2,245</u>	<u>947</u>	<u>473</u>	<u>339</u>
	<u>450</u>	<u>(680)</u>	<u>-</u>	<u>(343)</u>
Income tax expense for the financial year	<u><u>1,017</u></u>	<u><u>(189)</u></u>	<u><u>(4,727)</u></u>	<u><u>3,011</u></u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

31. (LOSS)/EARNINGS PER SHARE

	The Group	
	2016	2015
Loss/(profit) attributable to owners of the Company (RM'000)	(38,268)	2,562
Weighted average number of ordinary shares in issue ('000):-		
Ordinary shares at 1 August	209,000	209,000
Effects of treasury shares held	(20,876)	(20,874)
Weighted average number of ordinary shares at 31 July	188,124	188,126
Basic (loss)/earnings per share (Sen)	(20.34)	1.36

The diluted (loss)/earnings per share equals to the basic (loss)/earnings per share.

32. DIVIDENDS

	The Group/The Company			
	2016		2015	
	Dividend Per Share Sen	Amount of Dividend RM'000	Dividend Per Share Sen	Amount of Dividend RM'000
Dividend paid in respect of the financial year ended 31 July 2014:-				
- first and final single-tier dividend	-	-	5.00	9,406
	-	-	5.00	9,406

33. ACQUISITION OF SUBSIDIARIES

During the financial year, the Group acquired 100% equity interests in the following companies:-

- Subur Properties Sdn. Bhd.
- Prestige Superland Sdn. Bhd.
- Tiasa Heights Sdn. Bhd.
- Subur Tiasa R&D Sdn. Bhd.
- Subur Global Pte. Ltd.
- LX Photonics Sdn. Bhd.
- Hahn Fert Sdn. Bhd.

In the previous financial year, the Company acquired 100% equity interest in United Superland Sdn. Bhd.

	The Company	
	2016 RM'000	2015 RM'000
Total purchase consideration, to be settled by cash	250	-
Add: Transaction costs	-	-
Net cash outflows from the acquisitions of subsidiaries	250	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

33. ACQUISITION OF SUBSIDIARIES (cont'd)

The acquired subsidiaries have contributed the following results to the Group:-

	The Group	
	2016 RM'000	2015 RM'000
Revenue	-	-
Loss after taxation	(441)	(5)

34. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cost of property, plant and equipment purchases (Note 6)	39,308	110,462	5,110	21,889
Less: Amount financed through hire purchase	(3,659)	(31,647)	(85)	(12,044)
Less: Amount financed through issuance of shares	(750)	-	-	-
Cash disbursed for the purchase of property, plant and equipment	34,899	78,815	5,025	9,845

35. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks	35,712	11,601	20,560	3,695
Cash and bank balances	11,815	44,676	3,053	3,840
	47,527	56,277	23,613	7,535
Less: Deposits pledged to licensed banks (Note 19)	(951)	(922)	(357)	(346)
	46,576	55,355	23,256	7,189

36. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

36. KEY MANAGEMENT PERSONNEL COMPENSATION (cont'd)

(a) The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors				
<i>Executive Directors</i>				
Short-term employee benefits:-				
- fees	74	74	55	55
- salaries, bonuses and other benefits	3,423	3,468	3,423	3,468
	3,497	3,542	3,478	3,523
Defined contribution plans	411	416	411	416
Benefits-in-kind	11	11	11	11
	<u>3,919</u>	<u>3,969</u>	<u>3,900</u>	<u>3,950</u>
<i>Non-executive Directors</i>				
Short-term employee benefits:-				
- fees	270	300	250	280
Total directors' remuneration (Note 29)	<u>4,189</u>	<u>4,269</u>	<u>4,150</u>	<u>4,230</u>
Other Key Management Personnel				
Short-term employee benefits	2,669	2,544	2,661	2,535
Defined contribution plans	304	288	304	288
Total compensation for other key management personnel	<u>2,973</u>	<u>2,832</u>	<u>2,965</u>	<u>2,823</u>

(b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:-

	The Company	
	2016	2015
	Number of Directors	
Executive Directors		
RM3,900,001 – RM3,950,000	1	-
RM3,950,001 – RM4,000,000	-	1
Non-executive Directors		
Less than RM50,001	2	-
RM50,001 – RM100,000	3	5
	<u>6</u>	<u>6</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

37. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Subsidiaries				
Sale to subsidiaries:-				
- logs	-	-	110,776	201,183
- freight and handling	-	-	952	290
- dividend income	-	-	32,250	32,572
- interest income	-	-	1,215	865
- management fee	-	-	234	-
- rental income	-	-	1,159	1,201
- sundry income	-	-	-	487
Purchases from subsidiaries:-				
- bottled water	-	-	14	-
- logs	-	-	36,571	12,910
- plywood	-	-	13	4
- sawn timber	-	-	24	20
- waste timber	-	-	41	-
Services paid/payable to subsidiaries:-				
- compensation	-	-	78	-
- consultancy fee	-	-	853	-
- contract fee	-	-	47,998	59,765
- freight and handling charges	-	-	10,329	15,402
- interest expense	-	-	2,229	1,303
- logpond handling charges	-	-	3,073	5,351
- rental of buildings	-	-	24	-
- repairs and maintenance	-	-	74	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

37. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

(b) Significant Related Party Transactions and Balances (cont'd)

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year (cont'd):-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other Related Parties				
Sale to other related parties:-				
- bottled water	21	-	-	-
- fresh fruit bunches	41,134	24,236	-	-
- lighting products	32	-	-	-
- logs	531	6,352	531	6,352
- plywood	22	-	-	-
- sawn timber	98	2,319	-	-
- contract fee	28,308	82,940	591	1,452
- management fee	-	768	-	768
- rental income	-	98	-	98
- towage and handling income	614	431	614	431
- sundry income	393	-	-	-
Purchases from other related parties:-				
- adhesive materials	27,841	38,793	-	-
- consumable stores	6,102	8,125	815	1,893
- logs	24,614	91,726	24,614	91,725
- property, plant and equipment	156	2,575	97	1,675
- veneer	23,568	36,666	-	-
- waste timber	101	98	-	-
- unquoted equity investments	-	6,000	-	6,000
Services paid/payable to other related parties:-				
- compensation	728	-	728	-
- freight and handling charges	548	1,126	65	95
- logging contract fee	11,719	18,177	10,300	17,655
- marketing fee	900	900	900	900
- rental of buildings	13	96	13	88
- rental of land	130	130	-	-
- travelling expenses	274	-	274	-

The significant outstanding balances of the related parties (including the allowance for impairment losses made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

38. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Managing Director as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

38. OPERATING SEGMENTS (cont'd)

The Group is organised into 2 main reportable segments as follows:-

- Timber Segment – involved in the extraction, sale of logs and subcontractor for tree planting (reforestation), and the business of manufacturing and trading of plywood, veneer, raw and laminated particleboard, sawn timber, finger-joint moulding, charcoal and the supply of electricity for its manufacturing activities.
 - Plantation Segment – involved in the cultivation of oil palm and sale of fresh fruit bunches.
 - Others – involved in the provision of towage and transportation services, insurance services, property holding and development, and manufacturing and trading of drinking water.
- (a) The Group Managing Director assesses the performance of the reportable segments based on their profit before taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.
- (b) Each reportable segment assets is measured based on all assets (including goodwill) of the segment.
- (c) Each reportable segment liabilities is measured based on all liabilities of the segment.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

BUSINESS SEGMENTS

2016	Timber RM'000	Plantation RM'000	Others RM'000	Group RM'000
Revenue				
External revenue	501,998	51,187	1,418	554,603
Inter-segment revenue	536	1,331	11,935	13,802
	<u>502,534</u>	<u>52,518</u>	<u>13,353</u>	<u>568,405</u>
Consolidation adjustments				(13,802)
Consolidated revenue				<u><u>554,603</u></u>
Results				
Segment (loss)/profit before taxation	(37,886)	9,405	(8,779)	(37,260)
Consolidation adjustments				-
Consolidated loss before taxation				<u><u>(37,260)</u></u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

38. OPERATING SEGMENTS (cont'd)

BUSINESS SEGMENTS (cont'd)

2016	Timber RM'000	Plantation RM'000	Others RM'000	Group RM'000
Results (cont'd)				
Segment (loss)/profit before taxation includes the followings:-				
Interest income ⁽¹⁾	864	94	44	1,002
Interest expense ⁽²⁾	(17,500)	(2,646)	(884)	(21,030)
Amortisation of biological assets	-	(5,082)	-	(5,082)
Amortisation of intangible assets	(5,540)	-	-	(5,540)
Depreciation of investment properties	-	-	(3,044)	(3,044)
Depreciation of property, plant and equipment ⁽³⁾	(70,292)	(2,791)	(6,263)	(79,346)
Fair value gain on investment properties	(86)	-	-	(86)
Loss on disposal of property, plant and equipment	(1,887)	(91)	-	(1,978)
Property, plant and equipment written off	(9)	(16)	-	(25)
Reversal of write-down of inventories	(710)	-	-	(710)
Unrealised loss on foreign exchange	(587)	-	-	(587)
Write-down of inventories	(196)	-	-	(196)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

⁽¹⁾ After consolidation adjustments of RM2,469,000.

⁽²⁾ After consolidation adjustments of RM2,113,000.

⁽³⁾ After consolidation adjustments of RM378,000.

Assets

Segment assets	1,067,789	250,347	197,904	1,516,040
Consolidation adjustments				(258,620)
Consolidated total assets				<u>1,257,420</u>

Additions to non-current assets other than financial instruments and deferred tax assets are:-

Property, plant and equipment	28,180	4,678	6,450	39,308
Land held for property development	-	-	39	39
Biological assets	15,004	23,846	-	38,850
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Liabilities

Segment liabilities	612,683	161,933	120,007	894,623
Consolidation adjustments				(267,750)
Consolidated total liabilities				<u>626,873</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

38. OPERATING SEGMENTS (cont'd)

BUSINESS SEGMENTS (cont'd)

2015	Timber RM'000	Plantation RM'000	Others RM'000	Group RM'000
Revenue				
External revenue	709,371	43,553	1,107	754,031
Inter-segment revenue	566	-	17,100	17,666
	<u>709,937</u>	<u>43,553</u>	<u>18,207</u>	<u>771,697</u>
Consolidation adjustments				(17,666)
Consolidated revenue				<u><u>754,031</u></u>
Results				
Segment profit/(loss) before taxation	4,488	180	(2,302)	2,366
Consolidation adjustments				-
Consolidated profit before taxation				<u><u>2,366</u></u>
Segment profit/(loss) before taxation includes the followings:-				
Interest income ⁽¹⁾	1,135	13	160	1,308
Interest expense ⁽²⁾	(14,678)	(1,982)	(532)	(17,192)
Amortisation of biological assets	-	(4,693)	-	(4,693)
Amortisation of intangible assets	(10,140)	-	-	(10,140)
Depreciation of investment properties	-	-	(3,034)	(3,034)
Depreciation of property, plant and equipment ⁽³⁾	(78,806)	(3,946)	(4,604)	(87,356)
(Loss)/gain on disposal of property, plant and equipment	(3,464)	46	-	(3,418)
Property, plant and equipment written off	(35)	(56)	(2)	(93)
Reversal of write-down of inventories	1,386	-	-	1,386
Unrealised gain on foreign exchange	118	-	-	118
	<u><u>1,135</u></u>	<u><u>13</u></u>	<u><u>160</u></u>	<u><u>1,308</u></u>
	<u><u>(14,678)</u></u>	<u><u>(1,982)</u></u>	<u><u>(532)</u></u>	<u><u>(17,192)</u></u>
	<u><u>-</u></u>	<u><u>(4,693)</u></u>	<u><u>-</u></u>	<u><u>(4,693)</u></u>
	<u><u>(10,140)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(10,140)</u></u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(3,034)</u></u>	<u><u>(3,034)</u></u>
	<u><u>(78,806)</u></u>	<u><u>(3,946)</u></u>	<u><u>(4,604)</u></u>	<u><u>(87,356)</u></u>
	<u><u>(3,464)</u></u>	<u><u>46</u></u>	<u><u>-</u></u>	<u><u>(3,418)</u></u>
	<u><u>(35)</u></u>	<u><u>(56)</u></u>	<u><u>(2)</u></u>	<u><u>(93)</u></u>
	<u><u>1,386</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,386</u></u>
	<u><u>118</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>118</u></u>

⁽¹⁾ After consolidation adjustments of RM1,482,000.

⁽²⁾ After consolidation adjustments of RM1,374,000.

⁽³⁾ After consolidation adjustments of RM570,000.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

38. OPERATING SEGMENTS (cont'd)

BUSINESS SEGMENTS (cont'd)

2015	Timber RM'000	Plantation RM'000	Others RM'000	Group RM'000
Assets				
Segment assets	1,129,998	228,958	142,486	1,501,442
Consolidation adjustments				(227,681)
Consolidated total assets				<u>1,273,761</u>
Additions to non-current assets other than financial instruments and deferred tax assets are:-				
Property, plant and equipment	69,711	9,383	31,368	110,462
Investment properties	-	-	9,033	9,033
Biological assets	-	26,988	-	26,988
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
Segment liabilities	606,901	155,915	60,856	823,672
Consolidation adjustments				(223,380)
Consolidated total liabilities				<u>600,292</u>

GEOGRAPHICAL INFORMATION

The Group operates predominantly in Malaysia. Accordingly, the information by geographical segments is not presented.

MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	Revenue		Segment
	2016 RM'000	2015 RM'000	
Customer #1	<u> </u>	<u>84,237</u>	Timber

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

39. CAPITAL COMMITMENTS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Authorised but not Contracted for				
Property, plant and equipment	4,619	5,845	1,914	-
Contracted but not Provided for				
Property, plant and equipment	4,806	22,908	199	13,290
Investment properties	3,319	6,217	-	-
	8,125	29,125	199	13,290

40. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

40.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro ("EUR"), Japanese Yen ("JPY") and Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

The Group	United States		Japanese	Singapore	Ringgit	Total
	Dollar RM'000	Euro RM'000	Yen RM'000	Dollar RM'000	Malaysia RM'000	
2016						
<u>Financial Assets</u>						
Investment securities	-	-	-	5,642	31,080	36,722
Trade receivables	21,441	-	-	-	27,186	48,627
Other receivables and deposits	2,289	482	-	-	43,967	46,738
Deposits with licensed banks	-	-	-	-	35,712	35,712
Cash and bank balances	5,661	-	-	757	5,397	11,815
	<u>29,391</u>	<u>482</u>	<u>-</u>	<u>6,399</u>	<u>143,342</u>	<u>179,614</u>
<u>Financial Liabilities</u>						
Trade payables	1,272	94	76	-	88,249	89,691
Other payables, deposits and accruals	4,255	9	33	-	19,968	24,265
Bank borrowings	-	-	-	-	489,164	489,164
	<u>5,527</u>	<u>103</u>	<u>109</u>	<u>-</u>	<u>597,381</u>	<u>603,120</u>
Net financial assets/ (liabilities)	23,864	379	(109)	6,399	(454,039)	(423,506)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	-	-	-	454,039	454,039
Currency Exposure	<u>23,864</u>	<u>379</u>	<u>(109)</u>	<u>6,399</u>	<u>-</u>	<u>30,533</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (cont'd):-

The Group	United States Dollar RM'000	Euro RM'000	Japanese Yen RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2015						
<u>Financial Assets</u>						
Investment securities	-	-	-	9,925	6,361	16,286
Trade receivables	20,134	-	-	-	40,927	61,061
Other receivables and deposits	549	810	2	-	21,729	23,090
Deposits with licensed banks	-	-	-	-	11,601	11,601
Cash and bank balances	15,139	-	-	638	28,899	44,676
	<u>35,822</u>	<u>810</u>	<u>2</u>	<u>10,563</u>	<u>109,517</u>	<u>156,714</u>
<u>Financial Liabilities</u>						
Trade payables	577	20	82	-	117,053	117,732
Other payables, deposits and accruals	392	8	-	21	19,724	20,145
Bank borrowings	-	-	-	-	437,014	437,014
	<u>969</u>	<u>28</u>	<u>82</u>	<u>21</u>	<u>573,791</u>	<u>574,891</u>
Net financial assets/ (liabilities)	34,853	782	(80)	10,542	(464,274)	(418,177)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	-	-	-	464,274	464,274
Currency Exposure	<u>34,853</u>	<u>782</u>	<u>(80)</u>	<u>10,542</u>	<u>-</u>	<u>46,097</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (cont'd):-

The Company	United States Dollar RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2016				
<u>Financial Assets</u>				
Investment securities	-	5,642	31,080	36,722
Trade receivables	9,769	-	5,236	15,005
Other receivables and deposits	88	-	40,013	40,101
Amount owing by subsidiaries	-	86	244,705	244,791
Deposits with licensed banks	-	-	20,560	20,560
Cash and bank balances	677	757	1,619	3,053
	10,534	6,485	343,213	360,232
<u>Financial Liabilities</u>				
Trade payables	-	-	27,632	27,632
Other payables, deposits and accruals	9	-	9,608	9,617
Amount owing to subsidiaries	-	-	57,976	57,976
Bank borrowings	-	-	274,368	274,368
	9	-	369,584	369,593
Net financial assets/(liabilities)	10,525	6,485	(26,371)	(9,361)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	-	26,371	26,371
Currency Exposure	10,525	6,485	-	17,010

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (cont'd):-

The Company	United States Dollar RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2015				
<u>Financial Assets</u>				
Investment securities	-	9,925	6,361	16,286
Trade receivables	6,478	-	6,129	12,607
Other receivables and deposits	10	-	13,542	13,552
Amount owing by subsidiaries	-	-	214,976	214,976
Fixed deposits with licensed banks	-	-	3,695	3,695
Cash and bank balances	2,242	638	960	3,840
	<u>8,730</u>	<u>10,563</u>	<u>245,663</u>	<u>264,956</u>
<u>Financial Liabilities</u>				
Trade payables	3	-	33,370	33,373
Other payables, deposits and accruals	50	21	4,808	4,879
Amount owing to subsidiaries	-	-	54,319	54,319
Bank borrowings	-	-	223,805	223,805
	<u>53</u>	<u>21</u>	<u>316,302</u>	<u>316,376</u>
Net financial assets/(liabilities)	8,677	10,542	(70,639)	(51,420)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	-	70,639	70,639
Currency Exposure	<u>8,677</u>	<u>10,542</u>	<u>-</u>	<u>19,219</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Market Risk (cont'd)

(i) Foreign Currency Risk (cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Effects on Profit After Taxation				
USD/RM – strengthened by 5%	+ 907	+ 1,307	+ 400	+ 325
– weakened by 5%	- 907	- 1,307	- 400	- 325
EUR/RM – strengthened by 5%	+ 14	+ 29	-	-
– weakened by 5%	- 14	- 29	-	-
JPY/RM – strengthened by 5%	- 4	- 3	-	-
– weakened by 5%	+ 4	+ 3	-	-
SGD/RM – strengthened by 5%	+ 243	+ 395	+ 246	+ 395
– weakened by 5%	- 243	- 395	- 246	- 395
Effects on Equity				
USD/RM – strengthened by 5%	+ 907	+ 1,307	+ 400	+ 325
– weakened by 5%	- 907	- 1,307	- 400	- 325
EUR/RM – strengthened by 5%	+ 14	+ 29	-	-
– weakened by 5%	- 14	- 29	-	-
JPY/RM – strengthened by 5%	- 4	- 3	-	-
– weakened by 5%	+ 4	+ 3	-	-
SGD/RM – strengthened by 5%	+ 243	+ 395	+ 246	+ 395
– weakened by 5%	- 243	- 395	- 246	- 395

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available.

The Group's hire purchase obligations are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in FRS 7 since neither their carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Market Risk (cont'd)

(ii) Interest Rate Risk (cont'd)

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group	
	2016 RM'000	2015 RM'000
Effects on Profit After Taxation		
Increase of 50 basis points	- 331	- 398
Decrease of 50 basis points	+ 331	+ 398
Effects on Equity		
Increase of 50 basis points	- 331	- 398
Decrease of 50 basis points	+ 331	+ 398

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

Equity Price Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the prices of the quoted investments at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Effects on Other Comprehensive Income				
Increase of 10%	+ 3,037	+ 1,003	+ 3,037	+ 1,003
Decrease of 10%	- 3,037	- 1,003	- 3,037	- 1,003

As the Group's equity investments are measured at fair value through other comprehensive income, there is no financial impact on profit after taxation for the changes in prices of quoted investments.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from its trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The Group applies the simplified approach and establishes a loss allowance that represents its estimate of expected credit losses in respect of the trade and other receivables as appropriate. This allowance, which is measured at an amount equal to the lifetime expected credit losses, is estimated by management by reference to past default experience, current market conditions and forward-looking information.

The Company provides financial guarantee to financial institutions for credit facilities granted to its subsidiaries. The Company monitors the results of the subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by 2 customers which constituted approximately 56% of its trade receivables (including related parties) at the end of the reporting period.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the "Maturity Analysis" of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition was not material. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Credit Risk (cont'd)

(iii) Ageing Analysis

The ageing analysis of trade receivables (including amount owing by related parties) is as follows:-

	Gross Amount RM'000	Lifetime Expected Credit Losses RM'000	Carrying Amount RM'000
The Group			
2016			
Not past due	33,781	-	33,781
Past due:-			
- less than 1 month	3,931	-	3,931
- 1 to 2 months	2,187	-	2,187
- 2 to 3 months	1,569	-	1,569
- 3 to 4 months	1,508	-	1,508
- more than 4 months	7,403	(1,752)	5,651
	<u>50,379</u>	<u>(1,752)</u>	<u>48,627</u>
2015			
Not past due	35,866	-	35,866
Past due:-			
- less than 1 month	7,397	-	7,397
- 1 to 2 months	9,807	-	9,807
- 2 to 3 months	4,265	-	4,265
- 3 to 4 months	2,190	-	2,190
- more than 4 months	3,288	(1,752)	1,536
	<u>62,813</u>	<u>(1,752)</u>	<u>61,061</u>
The Company			
2016			
Not past due	14,490	-	14,490
Past due:-			
- less than 1 month	132	-	132
- more than 4 months	401	(18)	383
	<u>15,023</u>	<u>(18)</u>	<u>15,005</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Credit Risk (cont'd)

(iii) Ageing Analysis (cont'd)

The ageing analysis of trade receivables (including amount owing by related parties) is as follows (cont'd):-

	Gross Amount RM'000	Lifetime Expected Credit Losses RM'000	Carrying Amount RM'000
The Company			
2015			
Not past due	49,825	-	49,825
Past due:-			
- less than 1 month	2,776	-	2,776
- 1 to 2 months	161	-	161
- 2 to 3 months	1,574	-	1,574
- 3 to 4 months	902	-	902
- more than 4 months	18	(18)	-
	<u>55,256</u>	<u>(18)</u>	<u>55,238</u>

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On Demand or Within 1 Year RM'000	1 – 2 Years RM'000	2 – 5 Years RM'000	Over 5 Years RM'000
2016							
Trade and other payables	-	113,956	113,956	113,956	-	-	-
Bank borrowings:-							
- bankers' acceptance	4.14	30,622	30,622	30,622	-	-	-
- hire purchase obligations	4.87	73,491	76,874	52,545	16,621	7,708	-
- revolving credit	4.62	298,000	298,000	298,000	-	-	-
- term loans	4.94	87,051	101,872	17,771	16,232	39,634	28,235
		603,120	621,324	512,894	32,853	47,342	28,235
2015							
Trade and other payables	-	137,877	137,877	137,877	-	-	-
Bank borrowings:-							
- bankers' acceptance	4.13	23,670	23,670	23,670	-	-	-
- hire purchase obligations	4.86	127,267	135,165	62,272	51,475	21,418	-
- revolving credit	4.66	180,000	180,000	180,000	-	-	-
- term loans	5.02	106,077	126,597	24,095	17,725	42,665	42,112
		574,891	603,309	427,914	69,200	64,083	42,112

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

Maturity Analysis (cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (cont'd):-

	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On Demand or Within 1 Year RM'000	1 – 2 Years RM'000	2 – 5 Years RM'000
The Company						
2016						
Trade and other payables	-	95,225	95,225	95,225	-	-
Bank borrowings:-						
- bankers' acceptance	4.19	14,210	14,210	14,210	-	-
- hire purchase obligations	4.85	54,658	56,439	45,592	10,278	569
- revolving credit	4.55	205,500	205,500	205,500	-	-
Financial guarantee contracts in relation to corporate guarantee given to subsidiaries*	-	-	25,010	25,010	-	-
		<u>369,593</u>	<u>396,384</u>	<u>385,537</u>	<u>10,278</u>	<u>569</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

Maturity Analysis (cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (cont'd):-

The Company	Weighted Average Effective Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On Demand or Within 1 Year RM'000	1 – 2 Years	2 – 5 Years
					RM'000	RM'000
Trade and other payables	-	92,571	92,571	92,571	-	-
Bank borrowings:-						
- hire purchase obligations	4.85	106,305	111,999	55,860	45,385	10,754
- revolving credit	4.53	117,500	117,500	117,500	-	-
Financial guarantee contracts in relation to corporate guarantee given to subsidiaries*	-	-	40,510	40,510	-	-
		316,376	362,580	306,441	45,385	10,754

* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised since their fair value on initial recognition was not material.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the Company and non-controlling interests. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2016 RM'000	2015 RM'000
Bank borrowings	489,164	437,014
Less: Deposits with licensed banks	(35,712)	(11,601)
Less: Cash and bank balances	(11,815)	(44,676)
Net debt	<u>441,637</u>	<u>380,737</u>
Total equity	<u>630,547</u>	<u>673,469</u>
Debt-to-equity ratio	<u>0.70</u>	<u>0.57</u>

There was no change in the Group's approach to capital management during the financial year.

40.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial Assets				
<u>Measured at Amortised Cost</u>				
Trade receivables	48,627	61,061	15,005	12,607
Other receivables and deposits	46,738	23,090	40,101	13,552
Amount owing by subsidiaries	-	-	244,791	214,976
Deposits with licensed banks	35,712	11,601	20,560	3,695
Cash and bank balances	11,815	44,676	3,053	3,840
	<u>142,892</u>	<u>140,428</u>	<u>323,510</u>	<u>248,670</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (cont'd)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial Assets (cont'd)				
<u>Measured at Fair Value through Other Comprehensive Income</u>				
Investment securities – equity instruments	36,370	16,030	36,370	16,030
<u>Measured at Fair Value through Profit or Loss</u>				
Investment securities – debt instruments	352	256	352	256
Financial Liabilities				
<u>Measured at Amortised Cost</u>				
Trade payables	89,691	117,732	27,632	33,373
Other payables, deposits and accruals	24,265	20,145	9,617	4,879
Amount owing to subsidiaries	-	-	57,976	54,319
Bank borrowings	489,164	437,014	274,368	223,805
	<u>603,120</u>	<u>574,891</u>	<u>369,593</u>	<u>316,376</u>

40.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

The fair value of the Group's investment in unquoted shares with carrying amount of RM6,000,000 (2015: RM6,000,000) is not presented due to the lack of marketability of the shares and the fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.4 FAIR VALUE INFORMATION (cont'd)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

The Group	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2016								
<u>Financial Assets</u>								
Investment securities:-								
- quoted investments	30,722	-	-	-	-	-	30,722	30,722
<u>Financial Liabilities</u>								
Hire purchase obligations	-	-	-	-	73,357	-	73,357	73,491
2015								
<u>Financial Assets</u>								
Investment securities:-								
- quoted investments	10,286	-	-	-	-	-	10,286	10,286
<u>Financial Liabilities</u>								
Hire purchase obligations	-	-	-	-	127,330	-	127,330	127,267

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.4 FAIR VALUE INFORMATION (cont'd)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period (cont'd):-

The Company	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2016								
<u>Financial Assets</u>								
Investment securities:-								
- quoted investments	30,722	-	-	-	-	-	30,722	30,722
<u>Financial Liabilities</u>								
Hire purchase obligations	-	-	-	-	54,593	-	54,593	54,658
2015								
<u>Financial Assets</u>								
Investment securities:-								
- quoted investments	10,286	-	-	-	-	-	10,286	10,286
<u>Financial Liabilities</u>								
Hire purchase obligations	-	-	-	-	106,227	-	106,227	106,305

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

40. FINANCIAL INSTRUMENTS (cont'd)

40.4 FAIR VALUE INFORMATION (cont'd)

(a) Fair Value of Financial Instruments Carried at Fair Value

- (i) The fair value of quoted investments is determined at their quoted closing bid prices at the end of the reporting period.
- (ii) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- (i) The fair value of hire purchase obligations is determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group		The Company	
	2016	2015	2016	2015
	%	%	%	%
Hire purchase obligations	5.12	4.90	5.12	4.88

- (ii) The fair value of term loans approximated their carrying amounts as they bear interest at variable rates.

41. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are as follows:-

- (a) On 27 September 2016, Hahn Fert Sdn. Bhd. ("HFSB"), a subsidiary of the Company, issued new ordinary shares in HFSB to a new shareholder. As a result of the issuance of new shares, the Company's equity interest in HFSB was diluted from 100% to 75%, and HFSB became a 75% owned subsidiary of the Company.
- (b) On 30 September 2016, Momawater Sdn. Bhd. ("MWSB"), a wholly-owned subsidiary of the Company, acquired the entire issued and paid-up share capital of MOMA Marketing Pte. Ltd. ("MMPL") comprising 1 ordinary share of SGD1.00. Subsequent to the acquisition, MMPL became a wholly-owned subsidiary of the Company via MWSB. MMPL is currently a dormant company and its intended activity is trading of drinking water.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

42. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:-

	As Restated RM'000	As Previously Reported RM'000
Consolidated Statement of Financial Position (Extract):-		
Property, plant and equipment	659,521	614,522
Prepaid land lease payments	-	91,446
Investment properties	70,942	24,496
Intangible assets	7,161	9,881
Goodwill	2,720	-
Trade and other receivables	-	84,151
Other current assets	-	6,270
Trade receivables	61,061	-
Other receivables, deposits and prepayments	26,822	-
Current tax assets	2,539	-
Deposits with licensed banks	11,601	-
Cash and bank balances	44,676	56,277
Trade and other payables	-	(137,877)
Trade payables	(117,732)	-
Other payables, deposits and accruals	(20,145)	-
	<u>659,521</u>	<u>614,522</u>

Statement of Financial Position (Extract):-

Property, plant and equipment	275,367	261,626
Prepaid land lease payments	-	13,741
Trade and other receivables	-	241,135
Other current assets	-	3,504
Trade receivables	12,607	-
Other receivables, deposits and prepayments	17,056	-
Amount owing by subsidiaries	214,976	-
Deposits with licensed banks	3,695	-
Cash and bank balances	3,840	7,535
Trade and other payables	-	(92,571)
Trade payables	(33,373)	-
Other payables, deposits and accruals	(4,879)	-
Amount owing to subsidiaries	(54,319)	-
	<u>275,367</u>	<u>261,626</u>

The reclassifications above do not have any material effect on the information in the Statements of Financial Position and hence, no 3rd Statements of Financial Position as of 1 August 2014 are presented.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

43. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFIT/LOSSES

The breakdown of the retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits of the Company and its subsidiaries:-				
- realised	450,814	476,436	433,788	423,393
- unrealised	(1,914)	1,266	3,834	2,732
	<u>448,900</u>	<u>477,702</u>	<u>437,622</u>	<u>426,125</u>
(Less)/add: Consolidation adjustments	(8,383)	1,083	-	-
	<u>440,517</u>	<u>478,785</u>	<u>437,622</u>	<u>426,125</u>
At 31 July	<u><u>440,517</u></u>	<u><u>478,785</u></u>	<u><u>437,622</u></u>	<u><u>426,125</u></u>

LIST OF PROPERTIES As at 31 July 2016

Location	Tenure	Land Area (Hectares)	Existing Use	Approximate Age of Building	Net Book Value as at 31.07.2016 (RM'000)	Date of Acquisition
Lot 1495, Block 16, Seduan Land District	Leasehold land expiring on 25.09.2057	24.054	Factories, office, welfare building	4 - 27 years	51,806	31.03.1989 - 30.12.1994
Industrial Land at Lot 400, Blk 38 Kemena Land, Bintulu	Leasehold land expiring on 15.09.2057	12.672	Factory, office, welfare building	20 years	22,812	01.10.2008
Lot 47, Block 135, Balingian Land District, Mukah	Leasehold land expiring on 11.02.2064	5,000	Oil palm plantation, office, store, welfare building	4 - 10 years	17,628	30.09.2004
Lot 69, Block 12, Buan Land District	Leasehold land expiring on 01.08.2051	12.013	Factory	3 years	11,570	24.06.2013
Lot 854-866, Block 10, Sibau Town District	Leasehold land expiring on 06.09.2071	0.212	Office building	15 years	11,481	01.06.2001
Lot 57, Block 233, Kuching North Land District	Leasehold land expiring on 31.12.2038	5.536	Vacant	-	10,244	31.08.2013
Lot 23-27, 64-67, 125-140, 145, Blk 3, Seduan Land District, Rantau Panjang	Leasehold land expiring on 24.01.2087	69.479	Rubber plantation	-	8,739	20.09.2013
Lot 1153, Batu 23 Jalan Johor, Mukim Jeram Batu	Freehold land	4.082	Vacant	-	7,484	30.12.2013
Lot 1459, Block 16, Kuching Central Land District	Leasehold land expiring on 31.12.2027	0.977	Vacant	-	7,101	23.11.2012
Lot 3, Section 39, Kuching Town Land District	Leasehold land expiring on 01.04.2791	0.571	Vacant	-	6,927	31.03.2015

ANALYSIS OF SHAREHOLDINGS

As at 31 October 2016

Share Capital

Authorised Share Capital	:	RM1,000,000,000.00
Issued and Fully Paid-up Share Capital	:	RM209,000,000.00
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One (1) vote per Ordinary Share

Distribution schedule of ordinary shares

No. of Holders	Holdings	Total Holdings	%
103	less than 100 shares	3,448	0.00 ¹
188	100 to 1,000 shares	138,746	0.07
2,510	1,001 to 10,000 shares	6,328,975	3.37
271	10,001 to 100,000 shares	8,034,958	4.28
50	100,001 to less than 5% of issued shares	76,896,788	40.88
5	5% and above of issued shares	96,716,785	51.40
3,127		188,119,700 ²	100.00

1 Less than 0.01%

2 Excluding 20,880,300 ordinary shares of RM1.00 each bought back by the Company and retained as treasury shares based on Record of Depositors as at 31 October 2016

LIST OF SUBSTANTIAL SHAREHOLDERS

As at 31 October 2016

Name	No. of Ordinary Shares of RM1.00 each	
	Direct Interest	Indirect Interest
1. Tiong Toh Siong Holdings Sdn. Bhd.	61,950,021 ¹ (32.93%*)	3,507,012 ² (1.86%*)
2. Kinta Hijau Sdn. Bhd.	16,937,532 ³ (9.00%*)	-
3. Raya Abadi Sdn. Bhd.	16,575,033 (8.81%*)	-
4. Teck Sing Lik Enterprise Sdn. Bhd.	4,679,977 (2.49%*)	66,507,033 ⁴ (35.35%*)
5. YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	1,109,120 (0.59%*)	71,187,010 ⁵ (37.84%*)

- 1 37,000,000 shares, 23,000,000 shares and 1,500,000 shares are held through EB Nominees (Tempatan) Sdn. Bhd., RHB Nominees (Tempatan) Sdn. Bhd. and RHB Capital Nominees (Tempatan) Sdn. Bhd. respectively
- 2 Deemed interested by virtue of its substantial shareholdings in Tiong Toh Siong & Sons Sdn. Bhd.
- 3 6,900,000 shares are held through EB Nominees (Tempatan) Sdn. Bhd.
- 4 Deemed interested by virtue of its substantial shareholdings in Tiong Toh Siong Holdings Sdn. Bhd., Tiong Toh Siong Enterprises Sdn. Bhd. and Tiong Toh Siong & Sons Sdn. Bhd.
- 5 Deemed interested by virtue of his substantial shareholdings in Tiong Toh Siong Holdings Sdn. Bhd., Tiong Toh Siong Enterprises Sdn. Bhd., Tiong Toh Siong & Sons Sdn. Bhd. and Teck Sing Lik Enterprise Sdn. Bhd.
- * Excluding 20,880,300 ordinary shares of RM1.00 each bought back by the Company and retained as treasury shares as at 31 October 2016

DIRECTORS' INTERESTS

As at 31 October 2016

Name	No. of Ordinary Shares Held in the Company			
	Direct Interest	%	Indirect Interest	%
1. Mr. Tiong Kiong King	1,284,043 ¹	0.68	-	-
2. YBhg. Dato' Tiong Ing	1,780,213	0.95	547,675 ²	0.29
3. Madam Ngu Ying Ping	-	-	-	-
4. Mr. Tiong Ing Ming	-	-	-	-
5. Mr. Poh Kee Eng	-	-	-	-

The Directors by virtue of their interests in shares in the Company are also deemed to have interests in shares in all of its related corporations to the extent the Company has an interest, pursuant to Section 6A of the Companies Act, 1965.

Notes :

- 1 1,221,373 shares and 51,000 shares are held through AMSEC Nominees (Tempatan) Sdn. Bhd. and Mayban Nominees (Tempatan) Sdn. Bhd. respectively
- 2 Deemed interested by virtue of her substantial interests in Unique Wood Sdn. Bhd., ETI Blessed Holdings Sdn. Bhd. and the interests of her children in the Company
- * Excluding 20,880,300 ordinary shares of RM1.00 each bought back by the Company and retained as treasury shares as at 31 October 2016

LIST OF THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

As at 31 October 2016

	Names	No. of ordinary shares of RM1.00 each	Percentage (%*)
1.	EB Nominees (Tempatan) Sendirian Berhad - Pledged securities account for Tiong Toh Siong Holdings Sdn. Bhd. (Upper Lanang)	37,000,000	19.67
2.	RHB Nominees (Tempatan) Sendirian Berhad - Bank of China (Malaysia) Berhad Pledged Securities Account for Tiong Toh Siong Holdings Sdn. Bhd.	23,000,000	12.23
3.	Raya Abadi Sdn. Bhd.	16,575,033	8.81
4.	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for Credit Suisse (SG BR-TST-ASING)	10,104,220	5.37
5.	Kinta Hijau Sdn. Bhd.	10,037,532	5.34
6.	Pertumbuhan Tiasa Sdn. Bhd.	8,718,632	4.63
7.	Pertumbuhan Abadi Enterprises Sdn. Bhd.	7,542,295	4.01
8.	Asanas Sdn. Bhd.	7,200,000	3.83
9.	EB Nominees (Tempatan) Sendirian Berhad - Pledged securities account for Kinta Hijau Sdn. Bhd. (Upper Lanang)	6,900,000	3.67
10.	Insan Angun Sdn. Bhd.	6,800,000	3.61
11.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. - Exempt An For Bank Of Singapore Limited	4,165,500	2.21
12.	Globegate Alliance Sdn. Bhd.	3,673,950	1.95
13.	Tiong Toh Siong & Sons Sdn. Bhd.	3,507,012	1.86
14.	Serrano Group Limited	2,639,490	1.40
15.	RHB Capital Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Teck Sing Lik Enterprise Sdn Bhd	2,600,000	1.38
16.	Teck Sing Lik Enterprise Sdn. Bhd.	2,079,977	1.11
17.	Neoh Choo Ee & Company Sdn. Bhd.	1,851,900	0.98
18.	UOBM Nominees (Asing) Sdn. Bhd. - United Overseas Bank Nominees (Pte) Ltd for Novel Investment Group Limited	1,574,075	0.84
19.	RHB Capital Nominees (Tempatan) Sdn. Bhd. - RHB Bank (L) Ltd for Tiong Toh Siong Holdings Sdn. Bhd.	1,500,000	0.80
20.	UOBM Nominees (Asing) Sdn. Bhd. - United Overseas Bank Nominees (Pte) Ltd for Max Fortune Resources Inc.	1,449,200	0.77
21.	AMSEC Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Tiong Kiong King	1,213,473	0.65
22.	Dato' Tiong Ing	1,211,233	0.64
23.	CIMBSEC Nominees (Tempatan) Sdn. Bhd. - CIMB Bank for Nustinas Sdn. Bhd. (MQ0516)	1,195,950	0.64
24.	Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	1,109,120	0.59
25.	Tiong Toh Siong Enterprises Sdn. Bhd.	1,050,000	0.56
26.	Kenanga Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Datuk Tiong Thai King	987,120	0.52
27.	Cartaban Nominees (Tempatan) Sdn. Bhd. - AXA Affin General Insurance Berhad	828,500	0.44
28.	CIMB Group Nominees (Asing) Sdn. Bhd. - Exempt An For DBS Bank Limited (SFS)	770,000	0.41
29.	Dato' Tiong Ing	534,435	0.28
30.	Dynaquest Sdn. Bhd.	460,000	0.24
	Total	168,278,647	89.45

* Excluding 20,880,300 ordinary shares of RM1.00 each bought back by the Company and retained as treasury shares based on the Record of Depositors as at 31 October 2016

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting of Subur Tiasa Holdings Berhad ("the Company") will be held at the Company's Auditorium Room, Ground Floor, No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibul, Sarawak on Thursday, 22 December 2016 at 11.30 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 July 2016 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of directors' fees of RM305,396 for the financial year ended 31 July 2016. **Resolution 1**
3. To re-elect YBhg. Dato' Tiong Ing who retires in accordance with Article 86 of the Company's Articles of Association and being eligible, offers herself for re-election. **Resolution 2**
4. To re-elect Mr. Tiong Kiong King who retires in accordance with Article 86 of the Company's Articles of Association and being eligible, offers himself for re-election. **Resolution 3**
5. To re-appoint Messrs. Crowe Horwath as the Company's auditors and to authorise the Directors to fix their remuneration. **Resolution 4**
6. To consider and, if thought fit, pass the following ordinary resolution:

Proposed renewal of authority for purchase of own shares by the Company

Resolution 5

"THAT, subject always to the Companies Act, 1965 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be hereby unconditionally and generally authorised to purchase and hold on the market of Bursa Securities such number of ordinary shares of RM1.00 each ("Shares") in the Company ("Proposed Share Buy-Back") 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, necessary and expedient in the interest of the Company provided that the total aggregate number of Shares purchased and/or held or to be purchased and/or held pursuant to this resolution shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company for the time being and an amount not exceeding the Company's share premium reserve account at the time of purchase be allocated by the Company for the Proposed Share Buy-Back AND THAT, such Shares purchased are to be retained as treasury shares and distributed as dividends and/or resold on the market of Bursa Securities, or subsequently may be cancelled AND THAT the Directors be hereby authorised and empowered to do all acts and things and to take all such steps and to enter into and execute all commitments, transactions, deeds, agreements, arrangements, undertakings, indemnities, transfers, assignments and/or guarantees as they may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, as may be required or imposed by any relevant authority or authorities AND FURTHER THAT the authority hereby given will commence immediately upon passing of this ordinary resolution and will continue to be in force until:

- (a) the conclusion of the next annual general meeting ("AGM") of the Company, at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

- (b) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting,

whichever occurs first, in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authorities."

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

Proposed renewal of and new shareholder mandate for recurrent related party transactions of a revenue or trading nature ("Shareholder Mandate")

Resolution 6

"THAT approval be hereby given to the Company and its subsidiaries ("STH Group") to enter into any of the category of related party transactions which are recurrent, of a revenue or trading nature and are necessary for day-to-day operations of STH Group as outlined in point 3(b) of the Circular to Shareholders dated 29 November 2016 ("Circular"), with the specific related parties mentioned therein subject further to the following:

- (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders; and
- (b) disclosure is made in the annual report a breakdown of the aggregate value of the transactions conducted pursuant to the Shareholder Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements, and amongst others, based on the following information:
 - the type of the recurrent related party transactions made; and
 - the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

AND THAT such approval will continue to be in force until:

- (a) the conclusion of the next annual general meeting ("AGM") of the Company, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") [but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Shareholder Mandate."

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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

Proposed amendments to the Company's Articles of Association

Resolution 7

"THAT the proposed amendments to the Company's Articles of Association as set out in the Appendix A be and are hereby approved."

9. To transact any other business which may properly be transacted at an annual general meeting, due notice of which shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

By Order of the Board of Directors

Ling Chieh Min (MIA 18531)

Voon Jan Moi (MAICSA 7021367)

Joint Company Secretaries

Dated : 29 November 2016

Sibu, Sarawak

Explanatory Notes on Special Business

(a) Ordinary resolution on proposed renewal of authority for purchase of own shares by the Company

The proposed resolution No. 5, if passed, will renew the authority for the Company to purchase up to ten per cent (10%) of the issued and paid-up ordinary share capital of the Company through Bursa Malaysia Securities Berhad. The authority to purchase share will expire at the conclusion of the next AGM, unless revoked or varied by ordinary resolution passed by shareholders at general meeting.

Please refer to the Statement to Shareholders dated 29 November 2016 for further information.

(b) Ordinary resolution on Shareholder Mandate for recurrent related party transactions

Paragraph 10.09 of Main Market Listing Requirements states that with regard to related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations ("RRPT"), a public listed company may seek a shareholder mandate.

The proposed resolution No. 6, if passed, will authorise the Company and each of its subsidiaries to enter into RRPT with the mandated related parties as identified in point 3(b) of the Circular to Shareholders dated 29 November 2016 ("Circular"), which are necessary for day-to-day operations of the STH Group, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders.

By obtaining the Shareholder Mandate, the necessity to convene separate meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time and costs associated with the convening of such meetings without compromising on the corporate objectives of the STH Group or adversely affecting the business opportunities available to the STH Group.

Please refer to the Circular for further information.

(c) Special resolution in relation to proposed amendments to the Company's Articles of Association

The proposed Resolution No. 7 is to amend the Company's Articles of Association in line with the amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Please refer to the Appendix A for further information.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:

1. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. To be valid, the duly completed proxy form must be deposited at the registered office of the Company at No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibul, Sarawak not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
7. A depositor whose name appears in the Record of Depositors as at 16 December 2016 shall be regarded as a member of the Company entitled to attend this Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.

APPENDIX A

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

Article	Existing Provisions	Proposed Amendments
<p>Article 67 (How resolution decided)</p>	<p>At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:-</p> <p>(a) by the Chairman;</p> <p>(b) by at least three (3) members present;</p> <p>(c) by any member or members present and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or</p> <p>(d) by a member or members present and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.</p> <p>Unless a poll is so demanded, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. The demand for a poll may be withdrawn.</p>	<p>At any general meeting, any resolution set out in the notice of any general meeting or a resolution put to the vote of the meeting or in any notice of resolutions which may properly be moved and is intended to be moved at any general meeting shall be voted by poll.</p> <p>A declaration by the Chairman of the meeting that a resolution has on a poll been carried unanimously by a particular majority or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.</p>
<p>Article 68 (Poll to be taken as chairman shall direct)</p>	<p>If a poll is duly demanded, it shall be taken in such manner and either at once or after an interval or adjournment or otherwise as the chairman directs, and the result of the poll shall be deemed to be the resolution of the general meeting at which the poll was demanded but a poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question for which a poll has been demanded.</p>	<p>A poll can be demanded:</p> <p>(a) by the Chairman of the meeting; or</p> <p>(b) by at least three (3) members present in person or by proxy; or</p> <p>(c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or</p> <p>(d) by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid on all the shares conferring that right.</p> <p>A poll shall be taken in such manner and either at once or after an interval or adjournment or otherwise as the Chairman directs, and the result of the poll shall be the resolution of the meeting, but a poll demanded on the election of Chairman or on a question of adjournment shall be taken forthwith. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. The Chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may in addition to the powers of adjourning meetings contained in Article 66 adjourn the meeting to some place and time fixed for the purpose declaring the result of the poll.</p>

APPENDIX A

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION (cont'd)

Article	Existing Provisions	Proposed Amendments
Article 69 (Chairman to have casting votes)	In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.	In the case of an equality of votes, the chairman of the meeting shall be entitled to a second or casting vote.
Article 70 (Votes of members)	Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or by attorney or by duly authorised representative, and on a resolution to be decided on a show of hands, a holder of ordinary shares or preference shares who is personally present and entitled to vote shall be entitled to one (1) vote and on a poll, every such member present in person shall have one (1) vote for each share he holds. A person entitled to more than one (1) vote need not cast all his votes in the same way. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.	Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or by attorney or by duly authorised representative, and on a resolution to be decided by poll, every member present in person or by proxy or attorney or representative shall have one vote for each share he holds.
Article 72 (Member of unsound mind)	A member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, whether on a show of hands or on a poll, by his committee or by such other person as properly has the management of his estate, and any such committee or other person may vote by proxy or attorney.	A member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, by his committee or such other person as properly has the management of his estate, and any such committee or other person may vote by proxy or attorney.
Article 76 (Instrument appointing proxy to be in writing)	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 the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. The directors may (but shall not be bound to) require evidence of the authority of any such officer or attorney. The instrument appointing a proxy to vote at a meeting shall be deemed to confer authority to demand or join in demanding a poll.	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 the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. The Directors may (but shall not be bound) require evidence of the authority of any such officer or attorney.
Article 79 (Instrument appointing proxy or attorney to be deposited)	The instrument appointing a proxy or attorney or other authority or a notarially certified copy thereof shall be deposited at the Office, or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time fixed for holding the meeting or adjourned meeting (or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll). In default thereof, such instrument shall not be treated as valid for the exercise of any powers conferred by these Articles on a proxy, attorney or corporate representative.	The instrument appointing a proxy or attorney or other authority or a notarially certified copy thereof shall be deposited at the Office, or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, which the person named in the instrument proposes to vote, and in default, the instrument of proxy shall not be treated as valid. In default thereof, such instrument shall not be treated as valid for the exercise of any powers conferred by these Articles on a proxy, attorney or corporate representative.

APPENDIX A

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION (cont'd)

Article	Existing Provisions	Proposed Amendments
Article 82 (Act performed by proxy or attorney valid notwithstanding death, revocation etc.)	A vote given or every act, deed or thing done or performed by a proxy or attorney in accordance with the terms of an instrument of proxy or attorney shall be valid notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument or of the authority under which the instrument was executed, or the transfer of the share in respect of which the instrument is given, if no intimation in writing of such death, unsoundness of mind, revocation or transfer as aforesaid has been received by the Company at the Office before the voting, acting, doing or performing of such act, deed or thing.	A vote given in accordance with the terms of an instrument of proxy or attorney or authority shall be valid, notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument of proxy or of the authority under which the instrument of proxy was executed, or the transfer of the share in respect of which the instrument of proxy is given, if no intimation in writing of such death, unsoundness of mind, revocation or transfer as aforesaid has been received by the Company at the Office before the commencement of the meeting or adjourned meeting at which the instrument of proxy is used.
Article 126 (Presentation of accounts)	(b) The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the Directors' and auditors' reports shall not exceed four (4) months.	(b) The interval between the close of a financial year of the Company and the issue of the annual audited financial statements, the Directors' and auditors' reports shall not exceed four (4) months.
Article 127 (Copies of accounts)	(i) A copy of every balance sheet and income statement which is to be laid before the Company in general meeting (including every document required by law to be annexed thereto) together with a copy of the auditors' report relating thereto and of the directors' report, in printed form or in CD-ROM form or in such other form of electronic media, shall, not more than six (6) months after the close of the financial year and not less than twenty-one (21) days before the date of the meeting, be sent to every member and every holder of debentures of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles.	(i) A copy of the annual report that includes annual audited financial statements together with the auditors' report and Directors' report of the Company, in printed form or in electronic format or in such other form of electronic media permitted under the Listing Requirements, shall, within four (4) months from the close of the financial year of the Company and not less than 21 days before the date of the meeting, be issued and sent to every member and every holder of debentures of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles.
	(iii) This Article shall however not oblige the Company to send a copy of these documents to any person whose address the Company is not aware of, but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application to the Office.	(iii) This Article shall however not oblige the Company to send a copy of these documents to any person whose address the Company is not aware of, but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application to the Office. In the event that these documents are sent in electronic format or in such other form of electronic media permitted under the Listing Requirements or in such documents, the Company shall send such documents to the member within four (4) Market Days from the date of receipt of the member's request.

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Subur Tiasa Holdings Berhad

(Company No. 341792-W)
(Incorporated in Malaysia)

FORM OF PROXY

I/We (Name in full)

(IC/Passport/Company No.) of (Address)

being a member/members of the abovenamed Company, hereby appoint

(Name in full) (IC/Passport No.) of

..... (Address) or failing him,

..... (Name in full) (IC/Passport No.)

of (Address)

as my/our proxy to vote for me/us and on my/our behalf at the Twenty-First Annual General Meeting of the Company to be held at the Company's Auditorium Room, Ground Floor, No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibul, Sarawak on Thursday, 22 December 2016 at 11.30 a.m. and any adjournment thereof.

Please indicate with an "X" in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

My/our proxy is to vote as indicated below:

No.	Resolutions	For	Against
1.	To approve the payment of directors' fees for the financial year ended 31 July 2016.		
2.	Re-election of YBhg. Dato' Tiong Ing as Director.		
3.	Re-election of Mr. Tiong Kiong King as Director.		
4.	To re-appoint Messrs. Crowe Horwath as auditors for the ensuing year.		
5.	Proposed renewal of authority for purchase of own shares by the Company.		
6.	Proposed renewal of and new shareholder mandate for recurrent related party transactions of a revenue or trading nature.		
7.	Proposed amendments to the Company's Articles of Association.		

Number of shares held	
CDS Account no.	

Dated this day of 2016

.....
Signature of shareholder(s)/common seal

Notes :

- (1) A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- (2) A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with.
- (3) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- (4) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- (5) To be valid, the duly completed proxy form must be deposited at the registered office of the Company at No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibul, Sarawak not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (6) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- (7) A depositor whose name appears in the Record of Depositors as at 16 December 2016 shall be regarded as a member of the Company entitled to attend this Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.

Affix Stamp
Here

The Secretary
Subur Tiasa Holdings Berhad
No 66-78, Pusat Suria Permata
Jalan Upper Lanang, C.D.T. 123
96000 Sibul, Sarawak
Malaysia



No. 66-78, Pusat Suria Permata, Jalan Upper Lanang,
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