



# 2018 ANNUAL REPORT

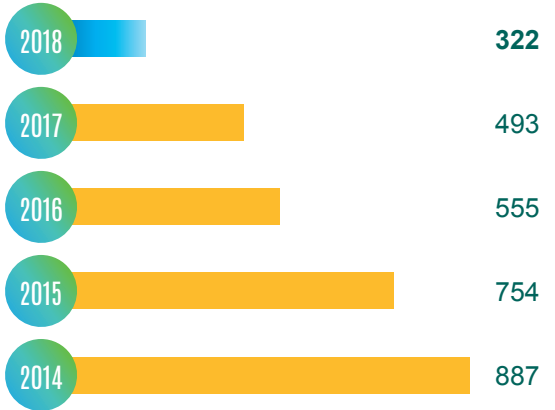
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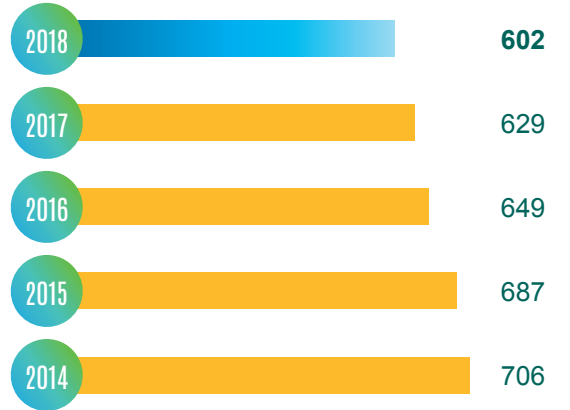


## FINANCIAL HIGHLIGHTS

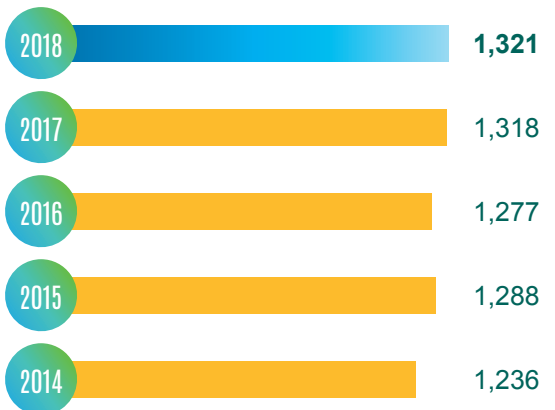
### Revenue RM'Million



### Equity Attributable to Equity Holders RM'Million



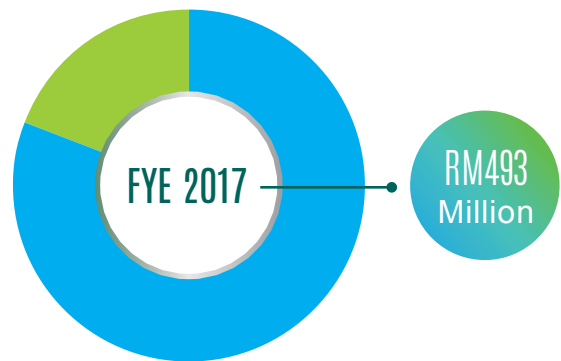
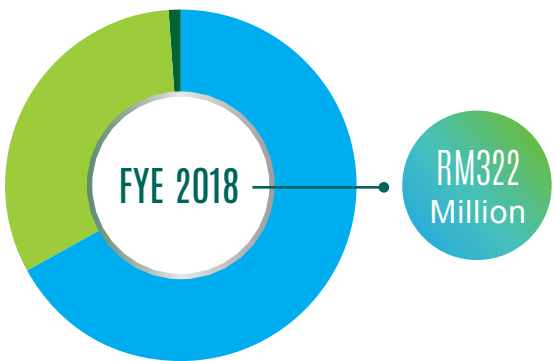
### Total Assets RM'Million



### Net Assets Per Share RM



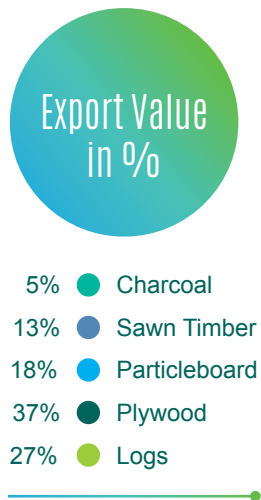
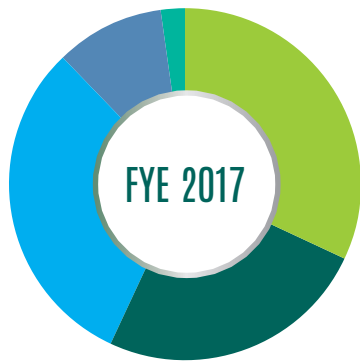
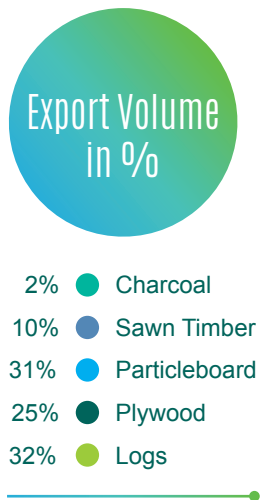
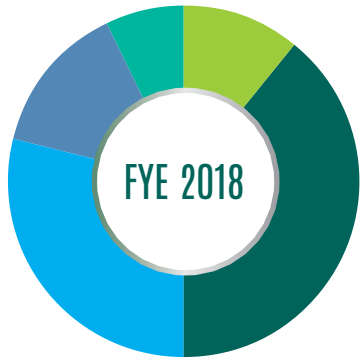
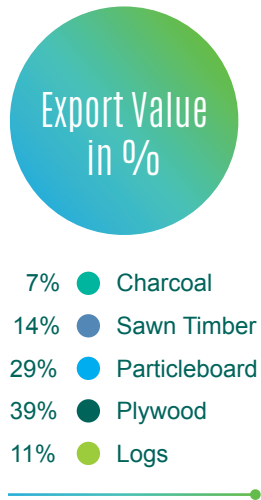
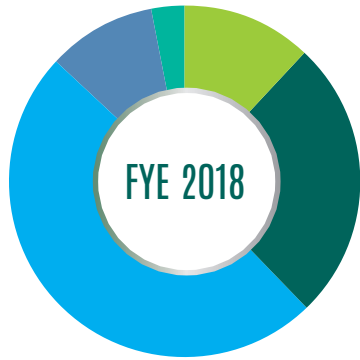
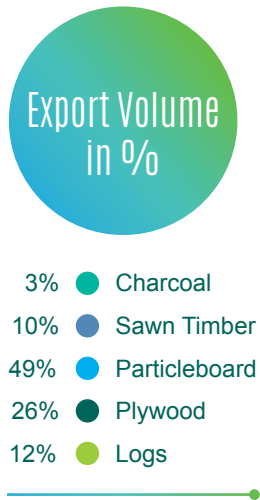
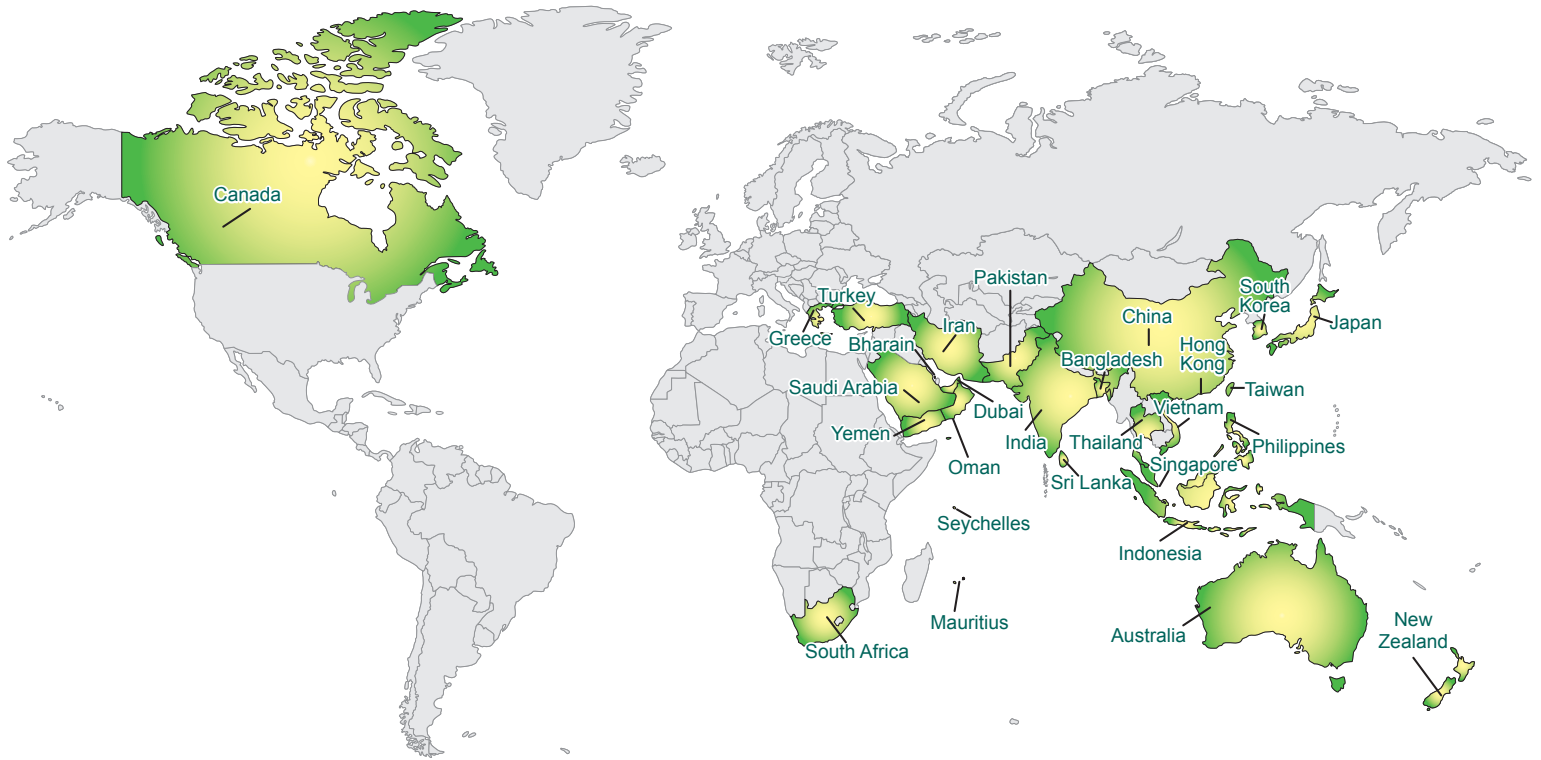
### Breakdown of Revenue by Segment



- 67% ● Timber Operations and Reforestation
- 32% ● Oil Palm Operations
- 1% ● Others

- 81% ● Timber Operations and Reforestation
- 19% ● Oil Palm Operations

# EXPORT MARKET HIGHLIGHTS



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Mr. Tiong Kiong King**

Chairman, Non-Independent Non-Executive Director

**YBhg. Dato' Tiong Ing**

Managing Director

**Mdm. Ngu Ying Ping**

Senior Independent Director

**Mr. Tiong Ing Ming**

Independent Director

**Mr. Poh Kee Eng**

Independent Director

### AUDIT COMMITTEE

Mdm. Ngu Ying Ping (Chairperson)

Mr. Tiong Ing Ming

Mr. Poh Kee Eng

### NOMINATION COMMITTEE

Mdm. Ngu Ying Ping (Chairperson)

Mr. Tiong Kiong King

Mr. Tiong Ing Ming

Mr. Poh Kee Eng

### REMUNERATION COMMITTEE

Mdm. Ngu Ying Ping (Chairperson)

Mr. Tiong Kiong King

Mr. Tiong Ing Ming

Mr. Poh Kee Eng

### COMPANY SECRETARIES

Mdm. Ling Chieh Min (MIA 18531)

Ms. Voon Jan Moi (MAICSA 7021367)

### REGISTERED OFFICE

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

C.D.T. 123, 96000 Sibu, Sarawak

Tel : 084-211 555

Fax : 084-211 545

E-mail : [info@suburtiasa.com](mailto:info@suburtiasa.com)

Website : [www.suburtiasa.com](http://www.suburtiasa.com)

### SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House

Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

Tel : 03-7841 8000

Helpdesk Tel No : 03-7849 0777

Fax : 03-7841 8151 / 03-7841 8152

### PRINCIPAL BANKERS

Affin Bank Berhad

Ambank (M) Berhad

Bank of China (Malaysia) Berhad

CIMB Bank Berhad

Hong Leong Bank Berhad

Industrial and Commercial Bank of China

Malayan Banking Berhad

RHB Bank Berhad

United Overseas Bank (Malaysia) Berhad

### AUDITORS

Crowe Malaysia (AF:1018)

Chartered Accountants

1<sup>st</sup> Floor No. 1

Lorong Pahlawan 7A2

Jalan Pahlawan

96000 Sibu, Sarawak

Tel : 084-211 777

Fax : 084-216 622

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

#### Stock name

SUBUR

#### Stock Code

6904

## PROFILE OF DIRECTORS



### MR. TIONG KIONG KING

*Chairman*

*Non-Independent Non-Executive Director*

Age 71, Malaysian, Male

Mr. Tiong Kiong King was appointed to the Board of Directors ("Board") of Subur Tiasa Holdings Berhad on 21 June 1997 and was subsequently appointed as Chairman of the Board on 19 March 2013. He is also a member of the Nomination and Remuneration Committees of the Company.

Mr. Tiong Kiong King has more than 47 years of managerial experience in the timber industry in various capacities. Presently, Mr. Tiong also holds key posts in several non-government organisations. Among them, he is the Life Honorary President for Sibu Chinese Chamber of Commerce and Industry, Vice President of World Federation of Fuzhou Association Limited, Life Honorary President of Persekutuan Persatuan-Persatuan Foochow Sarawak, Honorary Chairman of the World Zhang Clan Association Limited and Chairman of Persatuan Klan Zhang Negeri Sarawak. He is also the Vice Chairman of a public listed company, Rimbunan Sawit Berhad.

### YBHG. DATO' TIONG ING

*Managing Director*

Age 61, Malaysian, Female

YBhg. Dato' Tiong Ing was first appointed to the Board of Subur Tiasa Holdings Berhad on 25 July 2001 and was subsequently appointed as the Managing Director on 1 October 2003.

YBhg. Dato' Tiong Ing holds a Bachelor of Arts Degree in Business Administration from University of Winnipeg, Manitoba, Canada. She has more than 37 years hands on experience, in-depth knowledge and extensive market network in the timber industry and more than 13 years exposure in the oil palm plantation industry.

On 19 July 2007, YBhg. Dato' Tiong Ing was conferred with Darjah Sultan Ahmad Shah Pahang (D.S.A.P) which carries the title "Dato". Between 2009 and 2011, YBhg. Dato' Tiong Ing was appointed as director of EON Bank Berhad and sat on the Bank's Board Group Credit Committee. YBhg. Dato' Tiong Ing has been actively involved as a Council member of Sarawak Timber Association ("STA") which has more than 400 members from companies involved in timber, timber related industries and trades. She also acts as Chairperson of STA Log Marketing Committee for 2018 and 2019. YBhg. Dato' Tiong Ing has been an Industry Advisory Council member of University College Technology Sarawak since April 2016.

## PROFILE OF DIRECTORS (CONT'D)



### **MDM. NGU YING PING**

*Senior Independent Director*  
Age 58, Malaysian, Female

Mdm. Ngu Ying Ping joined the Board of Subur Tiasa Holdings Berhad on 29 June 2009. She was subsequently appointed as the Chairperson of Audit, Nomination and Remuneration Committees of the Company on 19 March 2013.

Mdm. Ngu Ying Ping graduated with Bachelor of Economics (Major in Accounting) from Monash University, Melbourne, Australia. She is a member of the Malaysian Institute of Accountants, Fellow Member of the Malaysian Institute of Taxation, Fellow Member of the CPAs Australia and Affiliate of Malaysian Institute of Chartered Secretaries and Administrators. She does not hold directorship in any other public company.



### **MR. TIONG ING MING**

*Independent Director*  
Age 61, Malaysian, Male

Mr. Tiong Ing Ming joined the Board of Subur Tiasa Holdings Berhad on 19 March 2013 and he is a member of the Audit, Nomination and Remuneration Committees of the Company.

Mr. Tiong Ing Ming graduated with a Bachelor of Building (Hons) from University of Melbourne, Australia in 1982 and began his career in a consulting quantity surveying practice since 1994. He is a registered quantity surveyor of the Board of Quantity Surveyors, Malaysia and a member of the Institution of Surveyors Malaysia. He also sits on the Board of a public listed company, Rimbunan Sawit Berhad.

## PROFILE OF DIRECTORS (CONT'D)



### MR. POH KEE ENG

*Independent Director*  
Age 69, Malaysian, Male

Mr. Poh Kee Eng joined the Board of Subur Tiasa Holdings Berhad on 14 September 2015 and he is a member of the Audit, Remuneration and Nomination Committees of the Company.

Mr. Poh Kee Eng graduated with a Bachelor of Science (Hons) and Diploma in Education from University of Malaya in 1975 and began his career as a teacher, and subsequently as a School Inspector of Sarawak Education Department Kuching and then a School Principal from 1976 to 2005. He joined Subur Tiasa Holdings Berhad as a Human Resources Manager in 2005. He then served as Senior Manager, Administration and Human Resources Department and was also in charge of Corporate Social Responsibility of STH Group from 2007 to 2014. During his tenure with STH, he had extensive exposure to logging, manufacturing and oil palm operations. He also has vast experience in management and training. He does not hold directorship in any other public company.

### OTHER INFORMATION OF DIRECTORS:

- (i) **Family Relationship**  
None of the Directors have any family relationship with each other or the major shareholders of the Company, except as disclosed below:
- Mr. Tiong Kiong King is a brother of YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and an uncle to YBhg. Dato' Tiong Ing, who is the Managing Director of the Company.
  - YBhg. Dato' Tiong Ing is the daughter of YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and a niece to Mr. Tiong Kiong King who is also a Director of the Company.
- (ii) **Conflict of Interest**  
None of the Directors has been involved in situation that will create a conflict of interest with the Company.
- (iii) **List of Convictions for Offences**  
None of the Directors has been convicted of any offence, other than traffic offences within the past five (5) years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
- (iv) **Attendance of Directors at Board Meetings**  
There were five (5) Board Meetings held during the financial year ended 31 July 2018. Details of attendance of each Director at Board Meetings are as stipulated in the Corporate Governance Overview Statement set out on page 26 of this annual report.
- (v) **Securities holdings in the Company and its subsidiaries**  
The Directors' shareholdings as at 24 October 2018 are as disclosed on page 130 of this annual report.



## PROFILE OF KEY SENIOR MANAGEMENT



### **MR. TENG KING HUAT**

*Chief Operating Officer*

Age 55, Malaysian, Male

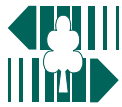
Mr. Teng King Huat was appointed as Chief Operating Officer of Subur Tiasa Holdings Berhad on 1 September 2015.

Mr. Teng King Huat graduated with a Bachelor of Engineering (Chemical) degree from University of Adelaide, Australia. He started his career as Head of Quality Control in a plywood company of Rimbunan Hijau Group. He spent three (3) years with a trading company as Head of Marketing (Chemical) to set up new chemical business. He subsequently joined a timber based group as Engineer before being promoted to Project Manager. In 1997, he rejoined Rimbunan Hijau Group as Production Manager in a chemical manufacturing company and was later promoted to General Manager and Alternate Director.

Prior to his appointment as Chief Operating Officer of Subur Tiasa Holdings Berhad, he had also served as Personal Assistant to Managing Director, YBhg. Dato' Tiong Ing since 2008. During his tenure with Subur Tiasa Holdings Berhad, he has acquired extensive exposure in logging, timber based manufacturing and oil palm operations. He has more than 17 years of senior managerial experience in different business industries.

He does not hold directorship in any public companies and listed issuer. He has not been involved in situation that will create a conflict of interest with the Company and has no conviction for offences within the past five (5) years. There was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year under review.

## CORPORATE STRUCTURE AS AT 24 OCTOBER 2018



### SUBUR TIASA HOLDINGS BERHAD (341792-W)



#### TIMBER OPERATIONS AND REFORESTATION

- 100%** — Saraju Holding Sdn. Bhd. (179762-K)
- 100%** — JPH Logging Sdn. Bhd. (809224-M)
- 100%** — Subur Tiasa Forestry Sdn. Bhd. (323421-T)
- 100%** — Sarawak Plywood (M) Sdn. Bhd. (012934-U)
- 100%** — Subur Tiasa Plywood Sdn. Bhd. (167681-D)
- 100%** — Subur Tiasa Particleboard Sdn. Bhd. (198523-K)
- 100%** — Borneo Lumber Industries Sdn. Bhd. (34515-V)
- 100%** — Grace Million Sdn. Bhd. (624862-D)
- 100%** — Excelle Timber Sdn. Bhd. (761744-T)
- 100%** — Trimogreen Sdn. Bhd. (190362-D)
- 100%** — R H Timber Processing Industries Sdn. Bhd. (48217-K)
- 100%** — Diamond Biowood Sdn. Bhd. (750284-A)
- 100%** — AA Plywood Sdn. Bhd. (752393-M)
- 100%** — Semarak Veneer & Plywood Sdn. Bhd. (230578-K)
- 100%** — Homet Raya Sdn. Bhd. (189955-D)
- 100%** — Excel Logging Sdn. Bhd. (1267334-K)



#### OIL PALM OPERATIONS

- 100%** — Palmlyn Sdn. Bhd. (614569-U)
- 100%** — Infrapalm Sdn. Bhd. (769262-T)
- 100%** — Blessings Palm Sdn. Bhd. (776528-A)
- 100%** — Tiasa Palm Sdn. Bhd. (809230-X)
- 100%** — Tiasa Mesra Sdn. Bhd. (938319-P)
- 100%** — Fruitful Palm Sdn. Bhd. (formerly known as Merri Sdn. Bhd.) (1057611-U)
- 100%** — United Superland Sdn Bhd (1090607-K)
- 100%** — Victory Round Sdn. Bhd. (751569-X)
- 60%** — Victory Pelita Kabah Sdn. Bhd. (1015888-K)
- 75%** — Hahn Fert Sdn. Bhd. (1185250-K)



#### OTHERS

- 100%** — T.Q. Oriental Sdn. Bhd. (257848-D)
- 100%** — Supreme Standard Development Sdn. Bhd. (717556-V)
- 100%** — Allied Asiatic Sdn. Bhd. (734184-M)
- 100%** — Joyful Realty Sdn. Bhd. (770831-M)
- 100%** — JPH Enterprise Sdn. Bhd. (771097-V)
- 100%** — Blessings Realty Sdn. Bhd. (775270-M)
- 100%** — Tiasa Cergas Sdn. Bhd. (935519-H)
- 100%** — Mamo Sdn. Bhd. (1012769-P)
- 100%** — Momaspace Sdn. Bhd. (1014468-D)
- 100%** — Honeybrix Sdn. Bhd. (1019826-W)
- 100%** — Momaworld Sdn. Bhd. (1032328-H)
- 100%** — Momawater Sdn. Bhd. (1033245-V)
- 100%** — MOMA Marketing Pte. Ltd. (201623094H)
- 100%** — Merri Mee Sdn Bhd (1067347-D)
- 100%** — Merri Marketing Sdn Bhd (1067349-P)
- 100%** — Subur Properties Sdn Bhd (1151173-H)
- 100%** — Tiasa Heights Sdn. Bhd. (1151223-H)
- 100%** — Prestige Superland Sdn. Bhd. (1151205-M)
- 100%** — Subur Tiasa R&D Sdn. Bhd. (1157521-A)
- 100%** — Subur Global Pte. Ltd. (201539306M)
- 100%** — LX Photonics Sdn. Bhd. (1167330-X)

## CHAIRMAN'S STATEMENT FOR THE FINANCIAL YEAR ENDED 31 JULY 2018



**MR. TIONG KIONG KING**  
CHAIRMAN

*Dear fellow shareholders,*

On behalf of the Board of Directors of Subur Tiasa Holdings Berhad, it is my pleasure to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 July 2018.

### **FINANCIAL PERFORMANCE**

The Group continued to reap positive earnings before interest, taxation, depreciation and amortization ("EBITDA") of RM51.5 million in the financial year 2018. Revenue recorded was RM322.2 million as compared to RM492.6 million in prior year. This was mainly attributed to the decrease in plywood and export log sales, resulting from the reduction in overall log production and export quota. The Group reported loss before tax of RM7.1 million mainly due to the recognition of impairment loss of RM5.6 million. Net assets per share stood at RM3.22 as at end of financial year 2018.

The Group's financial and operation performance will be further elaborated in the Management Discussion & Analysis section.

### **CORPORATE DEVELOPMENT**

The Group has entered into agreement to acquire Simunjan Estate on 22 February 2017. This has expanded our land bank by another 15,000 hectares for oil palm plantation and sustainable tree planting. The acquisition was completed in October 2018.

On 3 July 2018, Sarawak Timber Industry Development Corporation ("STIDC") has signed a Memorandum of Understanding with our Group on the development of bamboo plantation and bamboo integrated industry. 89 hectares of land at Sabal, Simunjan have been identified to be used by STIDC to carry out a pilot project for bamboo plantation.

## CHAIRMAN'S STATEMENT (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018



### GOING FORWARD

We will focus on creating values to all stakeholders with the implementation of new strategies. This will achieve sustainable profitability and improve the core business models. In order to ensure the Group stays resilient in this challenging business environment, we are committed to transform our operations via resource optimisation, yield improvement and cost competitiveness programs.

### APPRECIATION

I would like to thank my fellow Board members for their invaluable contributions. I am also very grateful to the resilient and resourceful management team under the dynamic leadership of Managing Director, YBhg. Dato' Tiong Ing and the employees of the Group for their dedication and concerted efforts.

On behalf of the Board of Directors, my heartfelt gratitude and appreciation extends to our valued shareholders, customers, suppliers, financial institutions, business associates and various regulatory bodies for your continuous support and confidence placed in us. We will continue to work hard and to deliver values to all stakeholders.

**Tiong Kiong King**  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS BY GROUP MANAGING DIRECTOR



### BUSINESS AND OPERATIONS REVIEW, OBJECTIVES AND STRATEGIES

#### OVERVIEW

During the year, oil palm plantation and timber remain as the core businesses of Subur Tiasa Holdings Berhad Group (“The Group”).

#### OIL PALM PLANTATION

The oil palm plantation segment is the key profit contributor to the Group. It delivered profit before tax (“PBT”) of RM27.8 million in the financial year ended 31 July 2018 (“FY2018”). The profit contribution was backed by the increase in Fresh Fruit Bunch (“FFB”) production volume of 33% despite the downtrend of crude palm oil (“CPO”) price of 15%. Revenue from sales of FFB increased by 14% to RM101.7 million. Oil palm plantation segment contributed 32% of the total revenue of the Group in FY2018.

Total land bank of the Group was approximately 29,000 hectares as at financial year end. The weighted average palm age was 8.6 years old. The Group expects improvement in yield per hectare in line with the growth of the palm age profile from young mature to prime age. We will continue to improve our estate management system with best agricultural practices. The management has also made progress in implementing Malaysian Sustainable Palm Oil (“MSPO”) certification for all our oil palm estates.

The Group entered into an agreement on the proposed acquisition of Simunjan Estate on 22 February 2017 in tandem with the Group’s strategic objective to increase the land bank for oil palm plantation. The acquisition was completed on 25 October 2018.

#### TIMBER

The Group timber segment comprises upstream logging operation, reforestation and downstream manufacturing. Our downstream manufacturing products consists of plywood, particleboard, sawn timber and charcoal.

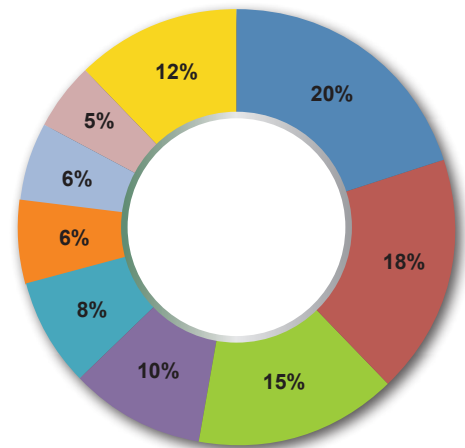
Our logging operations and reforestation are located in Sibul, Bintulu and Kapit regions. Our downstream manufacturing hubs are located in Sibul, Bintulu and Tanjung Manis, Sarawak.

India remains as the main export market for logs. Our timber products are mainly exported to South Korea, Taiwan and Indonesia. We continue to develop and penetrate new markets worldwide and collaborate with our valued customers.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D) BY GROUP MANAGING DIRECTOR

### Timber and Timber Products Key Market

● South Korea    ● Taiwan    ● India    ● Indonesia    ● Vietnam  
● China    ● Philippines    ● Japan    ● Others



#### Logging and Reforestation

Log sales contributed 9% of the total revenue of the Group. The strong export selling price for logs was backed by firm market demand and weakening of Ringgit Malaysia against US Dollar. Profit contribution from the Group's export log sales has been restrained due to the reduction of logs export quota from 30% to 20%.

We are constantly reviewing our logging strategies and uphold to apply the industry best practices. In line with our mission towards sustainable forest management, the Group undertook to implement Malaysian Timber Certification Scheme.

Reforestation remains integral to ensure sustainable supply of raw material for downstream manufacturing in the long run. The Group continued its investment in research and development of tree species cultivation, nursery and new planting method to improve the quality of our tree plantation. Currently, we are managing a total area of approximately 200,000 hectares for reforestation.

The Group signed a Memorandum of Understanding with Sarawak Timber Industry Development Corporation ("STIDC") in July 2018 for the development of bamboo plantation and bamboo integrated industry. The Sarawak Government grants permission to plant bamboo on all existing lands of Planted Forests. This is to ensure sustainability of raw material and promote biodiversity.

#### Manufacturing of Timber Products

The Group's downstream manufacturing faced rising of production costs due to higher prices of logs and tight supply of raw material. To stay ahead of the competition, the Group's focus will be primarily on enhancing product quality by adopting stringent manufacturing processes.

#### Plywood

Plywood accounted for 22% of the total Group revenue in FY2018. The Group's export markets remain predominantly Taiwan, South Korea and China. Domestic market share was about 11%.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D) BY GROUP MANAGING DIRECTOR

### Particleboard

Particleboard contributed 19% of the total Group revenue in FY2018. It continues to contribute profit to the Group. Our superior products dominate in Indonesia. Domestic market made up 23%.

### FINANCIAL REVIEW

#### 5 years Financial Information for the Group

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	887,116	754,031	554,603	492,636	<b>322,163</b>
Profit / (Loss) Before Tax	50,974	16,449	(31,739)	4,755	<b>(7,117)</b>
Profit / (Loss) After Tax	38,627	16,422	(32,871)	(16,460)	<b>(18,836)</b>
EBITDA	159,818	135,830	79,259	67,763	<b>51,525</b>
Equity Attributable to Equity Holders	705,904	687,376	648,869	628,525	<b>601,602</b>
Total Assets	1,235,679	1,287,843	1,277,335	1,318,449	<b>1,320,830</b>
Net Assets Per Share (RM)	3.75	3.58	3.45	3.35	<b>3.22</b>

The Group registered a revenue of RM322.2 million in FY2018, as compared to RM492.6 million reported in prior year. Timber and oil palm plantation segment accounted for 67% and 32% respectively of the Group's revenue. The lower revenue was mainly due to the followings:

#### Timber

- Lower export sales volume of logs by 79% resulting from the reduction in log export quota from 30% to 20%.
- Lower export sales volume of plywood by 35% arising from the lower production volume due to tight supply of logs.

#### Oil Palm

- Lower CPO and FFB average selling price by 15%.
- Alleviated by 33% increase in FFB sales volume with the growth of the palm age profile from young mature to prime age.

The Group reported loss before tax of RM7.1 million as compared to PBT of RM4.8 million in the preceding year. The loss was mainly due to the recognition of impairment loss of RM5.6 million, representing the write-down of the power plant to the recoverable amount. Loss after tax was RM18.8 million as compared to loss of RM16.5 million in the preceding year.

### FINANCIAL POSITION

#### Property, plant and equipment ("PPE")

The PPE reduced by RM33.9 million as compared to FY2017, mainly due to depreciation charged for the year of RM38.4 million, disposal of non-productive machinery of RM14.8 million, impairment of RM5.6 million and additions of RM28.1 million. The proceeds from disposal were then re-invested into productive business assets.

#### Inventories

The decrease in inventories of RM26.0 million as compared to FY2017 was mainly due to clearance of timber products.

#### Trade and other receivables

The decrease in trade and other receivables of RM18.9 million as compared to FY2017 was mainly due to refund of deposits.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D) BY GROUP MANAGING DIRECTOR

### Trade and other payables

The trade and other payables decreased by RM14.5 million as compared to FY2017, mainly due to settlement of trade and other payables.

### Working capital and liquidity

The Group's financial position remained healthy, backed by closing cash and cash equivalents amounted to RM9.3 million. Net assets per share based on issued ordinary shares net of treasury shares, remained relatively stable at RM3.22 as at 31 July 2018.

### Capital commitment

The approved and contracted capital expenditure of RM5.1 million is in relation to the balance of the construction costs of the Group's buildings mainly oil palm estates' quarters and offices.

### DIVIDEND

The Board of Directors do not recommend any dividend in respect of the FY2018 in view of loss after taxation during the financial year.

### ANTICIPATED OR KNOWN RISK

Risk management remains an integral part of the Group's day-to-day operations. In the pursuit of the Group's business goal, the Group has constantly reviewed risks which could impact our operational and financial performance. The Group has a risk management framework in place to mitigate risks.

Shortage of labour is one of the primary operating risks in oil palm business. The Group has invested in innovative mechanisation to reduce labour dependency, at the same time to improve FFB yield and oil extraction rate. In terms of regulatory risk, any changes in government policy pertaining to foreign workers, minimum wages, premium for instance, may have substantial impact on the Group's operating costs. The Group is committed to carry out preventive measures and to improve cost competitiveness.

### FORWARD LOOKING

The oil palm plantation segment will continue to contribute positively to the Group. Although the quantum of contribution will depend on the movement of CPO price, we are confident that our FFB production and oil extraction rate can be boosted through operational efficiencies.

The prices of timber and timber products will sustain with the firm demand from the market. India, South Korea, Taiwan and Indonesia are our major purchasers of round logs, plywood, particleboard and sawn timber of the Group.





## SUSTAINABILITY STATEMENT

### SCOPE & BOUNDARY

Subur Tiasa Holdings Berhad (“STH” or “the Group”) is pleased to present the Sustainability Statement that covers the Group’s sustainability initiatives. Sustainability is an integral part of our business model embedded with long-term profitability by mandating the management of economic, environmental and social (“EES”) risks in our business.

The purpose of the EES is to ensure the Group is able

- to enhance the local **ECONOMY**;
- to protect the **ENVIRONMENT**; and
- to strengthen the bonding with the **SOCIETY**.

### ECONOMIC

#### i. **Business Ethics and Integrity**

Business Ethics and Integrity are the most important core value of STH’s culture. STH is committed to acting ethically in all aspects of our businesses; constantly and vigilantly promoting integrity, honesty, fairness, accuracy and transparency. This applies across STH and its subsidiaries.

#### ii. **Local Economic Development**

The Group works to ensure that the materials and components we use in our entire supply chain can be traced to the sources. We also strive to ensure that we source as much of our materials from local suppliers so as to empower and boost the local economy.

#### iii. **Creating Employment Opportunities**

The Group believes in investing and building Malaysian talents to drive growth for the organization. We have embarked on the enhancement of our human resource department’s capabilities to attract, develop and retain the right Malaysian talents.

#### iv. **Utmost Customer Satisfaction and Product Assurance**

The Group is committed to delivering the highest standard products and services to the customers, as product quality and reliability are essential in building the foundation of a sustainable business model.

Our products of plywood and particleboard are certified by leading international standards such as ISO 9001:2015, California Air Resources Board (“CARB”), Japanese Agricultural Standards (“JAS”) and Japan Industrial Standards (“JIS”).

#### v. **Maximize Shareholder value through Business Expansion**

The Group has continuously ventured into new business sector to enlarge the corporate portfolio.

Firstly, we have successfully completed the acquisition of Simunjan Estate in October 2018. We had expanded the land bank by 15,000 hectares for oil palm plantation and sustainable tree planting.

Secondly, a Memorandum of Understanding was signed in July 2018 between STH and Sarawak Timber Industry Development Corporation (“STIDC”) to run a pilot project in bamboo planting. Bamboo is a giant grass, one of the fastest growing plants on the planet. It has a shorter harvest cycle compared to other wood species. Bamboo is a rapidly renewable plant. It can regenerate itself and regrow after harvesting.

As an environment-friendly plant, bamboo can restore degraded forests and mitigate climate change through carbon sequestration. It can cool down the surrounding area and produce up to 35% more oxygen than an equal area of hardwood forest. Its spreading root system can also help to bind the soil and prevent erosion. Bamboo is more durable than wood, stronger than steel. It is a sustainable raw material which is widely used in industries such as furniture, construction, textile, craft, food and others.



## SUSTAINABILITY STATEMENT (CONT'D)

Thirdly, we ventured into Fast-Moving Consumer Goods (“FMCG”) in year 2015 with a brand named MOMAwater. MOMAwater is manufactured under germ-free German technology. It has achieved international water safety standard requirements. Our fully automated MOMAwater factory has achieved the Industry 4.0 standard.



### ENVIRONMENT

As a group of companies that consists of timber and oil palm plantation business, STH works to ensure that its operations are environmentally responsible. Adequate steps are taken to protect and manage risks that may adversely impact the surrounding environment.

#### *i. Organic Waste as Fertilizer*

Oil palm waste - empty fruit bunches (“EFB”) are turned into mulch and organic fertilizers which are then applied in the plantations. We recycled the waste to be the new form of moist nutrients for the palms.

#### *ii. Scheduled Waste Management*

Our Group strictly observes the best practices in handling scheduled waste disposal with adherence to the prevailing regulations and standards set by Department of Environment, local municipal councils and the state government. In addition, our Group’s Hazard Identification Risk Assessment and Controls (“HIRAC”) system and related facilities are in place to reduce and avert potential risk and hazards.

#### *iii. Improved Agronomic Practices*

Our plantation has been using an environmental friendly fertilizer sachet. The sachet is made from bio-degradable material.

#### *iv. Commitment to Sustainability Certification*

We are making positive progress towards the goals to obtain the Malaysian Sustainable Palm Oil (“MSPO”) Certification for estates and Forest Management Certification (“FMC”) for logging camps.

We have also conducted Environment Impact Assessment (“EIA”) and Social Impact Assessment (“SIA”) for all our plantations to ensure compliance across our operations.

#### *v. Reduced Impact Logging (“RIL”)*

We also implement Reduced Impact Logging (“RIL”) in our logging and reforestation operation. RIL is a combination of several harvesting techniques applied to minimize damage to surrounding trees, maintaining the forest’s natural diversity and protecting the environment with better harvesting efficiency. STH bear 100% of the cost and expenses for RIL.

Other than providing internal training, the Group has sent the ground workers for various training courses on RIL which was conducted by Sarawak Forestry Corporation (“SFC”).

#### *vi. Biodiversity Protection*

The Group’s is committed to protect any high conservation value (“HCV”) sites identified within our landholdings. Any HCV sites identified will be mapped and demarcated for protection. All illegal activities that can endanger the local biodiversity areas such as hunting, poaching, encroachment and burning are strictly prohibited in our plantations and camp sites.

### SOCIAL

#### Workplace

We recognize our employees as one of the most important assets in the Group. We provide equal employment opportunities and promote workplace diversity to build an inspiring working environment.

## SUSTAINABILITY STATEMENT (CONT'D)

### *i. Occupational Safety and Health*

We are committed to maintain high safety and health standards within our Group. Each operation unit has established Safety and Health Committee which is responsible for cultivating safe working practices. Other than providing safety tools, workers are trained to handle chemicals and pesticides in a safe manner, according to the Standard Operating Procedures (“SOP”).

We have also conducted Occupational Safety and Health (“OSH”) trainings for our employees on a frequent basis.

### *ii. Training and Development*

We believe in continuous learning and self-improvement. We invest in human capital development through training and coaching, either internally or externally. Our employees are equipped with knowledge, skills and competencies which required for them to work effectively in current volatile economic environment.

Our training also includes shaping of future leaders as we believe in succession planning. Succession planning does not only attract talents who can fit into the Group’s culture, it also grooms the existing employees to be our future leaders.

## Community

STH has over the years remained dedicated in giving back to the community and extending our helping hands.

### *i. Corporate Social Responsibility (“CSR”)*



◀ 31 August 2017

RM 10,010 was donated to SibU Agape Center at Agape Fund Raising Food Fair.



▲ 29 November 2017

Blood Donation Campaign to raise awareness among staff on giving blood to save life. There were 46 successful donors for the event.



◀ 10 April 2018

Blood Donation Campaign is our continuing initiative to help blood bank and there were 30 successful donors for the event.

## SUSTAINABILITY STATEMENT (CONT'D)

### ii. Staff Engagement



▲ 11 – 28 December 2017  
Christmas Wishes Competition



▲ 21 December 2017  
Group Christmas Caroling to share the joy of Christmas.



◀ 10 February 2018  
Subur Night

22 February 2018 ▶

Chinese New Year Open-House Gathering to celebrate the joyous occasion as one big Subur Family.



◀ 26 February – 1 March 2018

Skills training have been conducted for staff to obtain competency certification.



## SUSTAINABILITY STATEMENT (CONT'D)



▲ **2 April 2018**  
Easter Celebration



▲ **16-17 July 2018**  
Training has been conducted for staff to upgrade their knowledge and keep abreast with latest trends or technologies in the market.



▲ **28 July 2018**  
Badminton competition to promote team work and develop staff's work-life balance.



▲ **28 July 2018**  
Health talks and basic health screening for staff to promote healthy lifestyle.

## AWARDS & RECOGNITIONS

Subur Tiasa is committed to be a preferred reliable supplier of premium wood based products, well recognised regionally with many accolades won over the years.

We have also been recognised for achieving the target of at least 30 percent women on board in public listed companies in conjunction with Hari Wanita 2016.



### SUBUR TIASA HOLDINGS BERHAD

- Diploma Best Enterprise Award 2012
- Century International Diamond Quality Era Award 2012
- 2nd Malaysia Independence Award 2010
- International Diamond Star For Quality Award (Geneva 2010)
- World Quality Commitment (WQC) International Gold Star For Quality Award (Paris 2007)
- Business Summit Award 2007

### SUBUR TIASA PLYWOOD SDN. BHD.

- Quality Summit Platinum Award For Excellence & Business Prestige (New York 2009)
- World Quality Commitment (WQC) International Gold Star For Quality Award (Paris 2008)
- Platinum Technology Award For Quality & Best Trade Name (Rome 2008)
- Celebrity Brand Award 2011 Celebrity Brand Center @ The Nomad Pavilion

### SUBUR TIASA PARTICLEBOARD SDN. BHD.

- The Sarawak Chief Minister's Environmental Award 2015/2016
- Product Excellence Award In Industry Excellence Awards 2009
- The Majestic Five Continents Award For Quality & Excellence (GENEVA 2008)
- Diamond Eye Award 2007 For Quality Commitment & Excellence
- The Top Quality Customer Satisfaction Aptitude Seal For High Quality Performance & Best Customer Satisfaction 2007
- 32nd International Award For The Best Trade Name 2007 (New Millennium Award)

### MOMAWATER SDN. BHD.

- Superbrands Malaysia's Choice 2018

### SUBUR TIASA HOLDINGS BERHAD

- Achieving the target of At Least 30 Percent Women on Board in Public Listed Companies

### SUBUR TIASA PLYWOOD SDN. BHD.

- Japanese Agricultural Standards (JAS) Certification
- California Air Resources Board (CARB) Certification
- ISO9001: 2008 Certification

### SUBUR TIASA PARTICLEBOARD SDN. BHD.

- Japan Ministry Certification
- California Air Resources Board (CARB) Certification
- ISO9001: 2008 Certification
- Japanese Industrial Standard JIS A 5908:2015

### MOMAWATER SDN. BHD.

- Certificate of Authentication Healthier Choice Logo (HCL)



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Subur Tiasa Holdings Berhad (“Subur Tiasa” or the “Company”) reinforces the importance of good corporate governance in building a sustainable business, and is committed to ensuring that the highest standard of corporate governance built 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 as set out in the Malaysian Code on Corporate Governance 2017 (“Code”) which was launched on 26 April 2017. The Corporate Governance Overview Statement (“CG Statement”) is to be read together with Corporate Governance Report (“the CG Report”), based on prescribed format as outlined in paragraph 15.25 of the Main Market Listing Requirements. The CG Statement and CG Report are available for reference on the Group’s website at [www.suburtiasa.com](http://www.suburtiasa.com).

The Board is pleased to present the following statement which describes how the Company has applied the principles and practices as set out in the Code that has been in place throughout the financial year ended 31 July 2018.

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### I. BOARD RESPONSIBILITIES

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.

#### ETHICAL STANDARDS THROUGH CODE OF CONDUCT

The Board is committed to conducting its business in accordance with the highest standard of business ethics and complying with the laws, rules and regulations.

The Board has adopted a Code of Conduct covering Business Ethics, workplace safety, employees’ personal conduct and for Directors in the performance and discharge 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](http://www.suburtiasa.com).

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.

#### 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 Sustainability Statement set out on pages 16 to 20 of this annual report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 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 duties 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.

### COMPANY SECRETARIES

The Board is supported by qualified and competent Company Secretaries to provide sound governance advice, ensure adherence to Board policies and procedures, laws and regulatory requirements, and advocate adoption of corporate governance best practices in addition to the administrative matters. All Directors have full access to the advice and services of the Company Secretaries at all times.

### 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](http://www.suburtiasa.com).

## II. BOARD COMPOSITION

### BOARD BALANCE

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 complies with paragraph 15.02 of the listing requirement of Bursa Malaysia which requires that at least two (2) Directors or one-third (1/3) of the Board, whichever is the higher, are Independent Directors. The Directors have the necessary skills, experience, qualification and other core competencies, in order to carry sufficient weight in making balanced, objective and accountable decisions.

The concept of independence as adopted by the Board is consistent with the definition of an Independent Director as set out in Paragraph 1.01 and Practice Note 13 of the Listing Requirements. The key elements for fulfilling the criteria are the appointment of Directors who are not members of Management and who are free of any relationship which could interfere the exercise of independent judgement or the ability to act in the best interest of the Company and the Group. 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 management are fully discussed and examined, taking into account the long term interest, not only of the shareholders, but the employees, customers, suppliers and the communities in which the Group operates in.

Further, the current size and composition of the Board are considered adequate to provide an optimum mix of skills, experience and expertise. Although the Chairman is not an independent director, more than half of the Board members are independent directors. The Board is of the view that with the current Board composition, there is no 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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### ANNUAL ASSESSMENT OF INDEPENDENT DIRECTORS

The Board has, through the Nomination Committee, adopted the same criteria of independence as set out in the Listing Requirements to assess the Independent Directors on an annual basis. In assessing the independence of Independent Directors, the Board, taking into account their skills, experience and contributions, as well as their background, will consider whether the Independent Directors have any relationships with the Company and their ability to exercise independent and objective judgement to the Board's deliberations at all times and to act in the best interests of the Company.

The Board, through the Nomination Committee has assessed all the Independent Directors and concluded that they met the criteria and are able to bring unbiased, independent view and advice in discharging their duties and responsibilities.

### TENURE OF INDEPENDENT DIRECTORS

Under Practice 4.2 of the Code, it is recommended that the tenure of an Independent Director shall not exceed a cumulative or consecutive term of nine (9) years. However, the Nomination Committee and the Board have assessed the independence of Mdm. Ngu Ying Ping, who has served for more than nine (9) years in the Board and recommended that she continues in office as an Independent Director of the Company based on the following justifications:

- (a) Her experience, networking, understanding of business and objectively in approach enables her to provide the Board and Board Committees with pertinent expertise, skills and competence and her independent judgement will continue to add credence to the Company;
- (b) She remains professionally independent and vocal, actively participated in deliberations and exercised independent judgment at Board and Board Committee meetings without being influenced by operational consideration; and
- (c) She acts in the best interests of all shareholders and her continuation in office as Independent Director will provide a check and balance to operational management.

### 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 to the Board's dynamics, such that no one individual dominates the decision-making process and powers. 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 and stakeholders, 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, policies and decisions made by the Board, managing the day-to-day business operations of the Group and in ensuring the efficiency and effectiveness of the operation for the Group.

### DIRECTORS' TRAINING

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 Securities. The Board acknowledges that continuous training is important to broaden Directors' 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.

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The descriptions of the trainings/seminars attended by the Directors during the financial year ended 31 July 2018 are as follows:

Director	Title of training/ seminar	Number of day(s) spent
YBhg. Dato' Tiong Ing	- Briefing on Composting	1 day
	- Hahn Fert - Oil Palm Agriculture Learning Program (OPAL) Stage 1	3 days
Mdm. Ngu Ying Ping	- The Malaysian Code on Corporate Governance 2017 & Management of Cyber Risks	1 day
	- Seminar Percukaian Kebangsaan 2017	1 day
	- Post Budget 2018	1 day
	- Corporate Governance Guide 3rd Edition: 'Moving from Aspiration to Actualisation' - Unstacking the Guide for Application	1 day

The other Directors were unable to attend any formal training during the financial year under review due to their unavoidable tight schedule. Throughout the year, all Directors regularly received updates and briefings, particularly from the Company Secretaries, internal and external auditors on changes in regulatory and requirements. They continue to remain updated on industrial practice, business environment, IT products and knowledge.

### 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 2018 are as follows:

Chairperson	Mdm. 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	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 Nomination Committee is available at the Company's website at [www.suburtiasa.com](http://www.suburtiasa.com).

The activities carried out by the Nomination Committee during the financial year ended 31 July 2018 are as follows:

- (a) reviewed the mix of skills, size and composition, experience, core competencies and other qualities required for the Board;
- (b) evaluated the performance and effectiveness of the Board and Board Committees including contribution of each individual director;
- (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 2016;
- (e) reviewed the term of office, performance and effectiveness of the Audit Committee and Remuneration Committee;
- (f) assessed the training needs of Directors; and
- (g) reviewed criteria for recruitment process and annual assessment of Directors.

The Nomination Committee meets as and when required. One (1) meeting was held during the financial year ended 31 July 2018 and was attended by all the members except Mr. Tiong Kiong King.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### 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 Board has adopted a gender diversity policy. The Board currently has two (2) female Directors namely YBhg. Dato' Tiong Ing and Mdm. 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.

### TIME COMMITMENT

The existing Directors are obliged to notify the Board before accepting any new directorship in other listed issuer. 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 2018, five (5) 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 5
YBhg. Dato' Tiong Ing	5 out of 5
Mdm. Ngu Ying Ping	5 out of 5
Mr. Tiong Ing Ming	5 out of 5
Mr. Poh Kee Eng	5 out of 5

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.

### III. REMUNERATION

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

Chairperson	Mdm. 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	Independent Director

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 2018.

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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.

Details of the remuneration of the Directors of the Company for the financial year ended 31 July 2018 distinguishing between executive and non-executive Directors are set out as below:

	Fee		Salary		Bonus		Other Emoluments		Total	
	Company (RM)	Group (RM)	Company (RM)	Group (RM)	Company (RM)	Group (RM)	Company (RM)	Group (RM)	Company (RM)	Group (RM)
<b>Executive Director</b>										
YBhg. Dato' Tiong Ing	55,000	75,000	1,854,000	1,854,000	927,000	927,000	982,230	982,230	3,818,230	3,838,230
<b>Non-Executive Director</b>										
Tiong Kiong King	60,000	60,000	-	-	-	-	-	-	60,000	60,000
Ngu Ying Ping	55,000	74,000	-	-	-	-	-	-	55,000	74,000
Tiong Ing Ming	55,000	55,000	-	-	-	-	-	-	55,000	55,000
Poh Kee Eng	55,000	55,000	-	-	-	-	-	-	55,000	55,000

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. AUDIT COMMITTEE

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 2016, Listing Requirements and the Financial Reporting Standards in Malaysia. The Audit Committee provides assistance to the Board of Directors in fulfilling these statutory and fiduciary responsibilities with regard 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.

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.

During the financial year under review, the Audit Committee met with the External Auditors twice without the presence of other Directors and employees. The External Auditors received full cooperation from management, had full access to the Group's records and had no issue of concern that required the Audit Committee's attention.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Audit and non-audit fees payable by the Group and the Company to the External Auditors during the financial year ended 31 July 2018 are set out below:

	<b>Group FY 2018 RM</b>	<b>Company FY 2018 RM</b>
Statutory audit fee:		
- Crowe Malaysia (a)	231,000	54,500
- Messrs CA Trust PAC	15,467	-
<b>Total</b>	<b>246,467</b>	<b>54,500</b>
Non-audit fees:		
- Crowe Malaysia	5,000	5,000
- Affiliates of Crowe Malaysia	17,500	-
<b>Total (b)</b>	<b>22,500</b>	<b>5,000</b>
% of non-audit fees (b/a)	9.7%	9.2%

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 Malaysia for the financial year ended 31 July 2018 was satisfied with their suitability and independence and recommended to the Board for their re-appointment as External Auditors at the forthcoming Annual General Meeting subject to the shareholders' approval.

## II. RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge their responsibilities 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.

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.

### 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### I. COMMUNICATION WITH STAKEHOLDERS

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](http://www.suburtiasa.com). 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](http://www.suburtiasa.com) where shareholders can access corporate information, annual reports, financial information and Company announcements.

#### II. CONDUCT OF GENERAL MEETINGS

The Annual General Meeting is a crucial mechanism as it provides the Board 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.

Notice of Annual General Meeting is issued and served to all shareholders at least twenty-eight (28) days prior to the Annual General Meeting. 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.

#### COMPLIANCE STATEMENT

The Group is considered complied with the principles and recommendations of the Code, except for those disclosed herein before. With the introduction of the new Code, the Board remains committed to inculcating good corporate governance for the Group. The Group will continue to endeavour to comprehend with all the key principles and practices of the new Code where the Board deems appropriate, in its efforts to observe high standard of transparency, accountability and integrity to achieve the intended outcome.

This statement is made in accordance with the resolution of the Board of Directors dated 9 November 2018.

## 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

Save as disclosed below, 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 2018 or entered into since the end of the previous financial year.

On 22 February 2017, Tiasa Mesra Sdn. Bhd. (“TMSB”), a wholly-owned subsidiary of the Company, entered into a conditional agreement with Rimbunan Sawit Berhad (“RSB”) to acquire all the rights, titles and interests in relation to an oil palm plantation estate via an absolute assignment, development costs, biological assets, commercial rights and all the fixtures and fittings relating thereto (“Proposed Acquisition”) for a purchase consideration of RM150.0 million to be satisfied in cash.

The Proposed Acquisition is conditional upon the fulfilment of the followings:-

- (a) RSB obtaining the approval of the Director of Forests and/or the Minister for the absolute assignment of the rights to and in favour of TMSB and to the form and content of the assignment.

The Director of Forests had, via a letter dated 6 July 2018, accepted and approved the form and content of the deed of transfer to be executed between RSB and TMSB for the transfer of the rights in place of a proposed deed of assignment, pursuant to the approval of the Minister on the application for absolute assignment of the rights from RSB to TMSB.

- (b) RSB settling all its existing liabilities owing to trade payables for the development of the oil palm plantation under the rights.

RSB had, via its letter dated 26 July 2018, confirmed that it had settled all its existing liabilities owing to trade payables for the development of the oil palm plantation under the rights.

- (c) RSB procuring a redemption statement cum letter of undertaking from its financier addressed to the financier of TMSB on the redemption sum payable to settle the credit facilities granted by it inter alia, for the development of the oil palm plantation under the rights.

RSB had, on 12 July 2018, received the redemption statement cum letter of undertaking from its financier addressed to the financier of TMSB on the redemption sum payable to settle the credit facilities granted by it inter alia, for the development of the oil palm plantation under the rights.

With the fulfilment of the above conditions, TMSB was required to pay the balance of the consideration of RM135.0 million (“Balance Sum”) to RSB within 2 months from 26 July 2018, which was further extended to 25 October 2018. The Balance Sum was paid on 25 October 2018 to RSB, and the Proposed Acquisition was completed on the same date.

### 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 34 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 <sup>1</sup>	Actual Amount of RRPT for year ended 31 July 2018 RM'000
Contract fee income for logging / reforestation	Rejang Height Sdn Bhd	A	9,095
Logging contract fee income	Saforin Sdn Bhd	A	4,453
	Bakun Logging Sdn Bhd	C	3,365
	Supreme Timber Products Sdn Bhd	A	253
	<b>Total</b>		<b>8,071</b>

## ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Type of RRPT	Name of Related Party(ies)	Relationship with the Group <sup>1</sup>	Actual Amount of RRPT for year ended 31 July 2018 RM'000
Sale of logs	Unique Wood Sdn Bhd	B	195
Sale of fresh fruit bunches	Unique Palm Oil Mill Sdn Bhd	B	55,625
	RH Lundu Palm Oil Mill Sdn Bhd	A	3,939
	<b>Total</b>		<b>59,564</b>
Towage and handling income	Jaya Tiasa Group <sup>2</sup>	A	139
Freight and handling charges paid / payable	Jaya Tiasa Group <sup>2</sup>	A	25
Purchase of adhesive materials	Petanak Enterprises Sdn Bhd	A	18,797
Purchase of logs	Bakun Logging Sdn Bhd	C	5,643
	Rejang Height Sdn Bhd	A	14,994
	Supreme Timber Products Sdn Bhd	A	428
	<b>Total</b>		<b>21,065</b>
Purchase of spare parts and equipments	Rimbunan Hijau General Trading Sdn Bhd	A	1,456
Purchase of veneer	Jaya Tiasa Group <sup>2</sup>	A	2,617
Purchase of waste timber	Unique Wood Sdn Bhd	B	87

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, YBhg. 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, namely, Jaya Tiasa Plywood Sdn Bhd and Curiah 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 2018 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 authorized 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;
- 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;

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

- 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 Senior Finance 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 2018 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 2018 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 9 November 2018.

## 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 2018.

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 2018, five (5) meetings were held. The details of attendance of each of them are outlined as follows:

NAME	DESIGNATION	NO. OF MEETINGS HELD	ATTENDANCE OF MEETINGS
Mdm. Ngu Ying Ping	Chairperson (Senior Independent Director)	5	5
Mr. Tiong Ing Ming	Member (Independent Director)	5	5
Mr. Poh Kee Eng	Member (Independent Director)	5	5

Details of training attended by members of the Committee are disclosed in the Corporate Governance Statement set out on page 25 of this annual report.

The Group Managing Director, Chief Operating Officer, Senior Finance Manager, internal auditors and company secretaries attended all the meetings held during the year ended 31 July 2018. External auditors attended three (3) of these meetings. 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 Chairperson. The Chairperson 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 website at [www.suburtiasa.com](http://www.suburtiasa.com)

### 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 2018 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, consideration of the re-appointment of 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;
- g) Review of the adequacy of scope, functions, competency and resources of the Internal Audit and perform annual assessment of Internal Audit Department's function;

## AUDIT COMMITTEE REPORT (CONT'D)

### SUMMARY OF WORK OF THE AUDIT COMMITTEE (CONT'D)

- h) Meeting with the external auditors without the presence of the other directors and employees of the Group; and
- 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.

### 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 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 2018 was RM658,461 (2017: RM901,935).

This report is made in accordance with resolution of the Board of Directors dated 9 November 2018.

## 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 2016 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 9 November 2018.

# 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 2018.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, provision of management services, 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

	<b>The Group</b> RM'000	<b>The Company</b> RM'000
(Loss)/profit after taxation for the financial year	(18,836)	17,715
Attributable to:-		
Owners of the Company	(19,110)	17,715
Non-controlling interests	274	-
	<u>(18,836)</u>	<u>17,715</u>

### DIVIDENDS

No dividend was recommended by the directors for the 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 financial statements.

### ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the 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:-

- (a) resold 100 of its issued ordinary shares held as treasury shares in the open market at an average price of RM1.36 per ordinary share; and
- (b) purchased 1,500 of its issued ordinary shares from the open market at an average price of RM0.96 per ordinary share. The total consideration paid for the purchase was RM1,518 including transaction costs. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from equity.

## DIRECTORS' REPORT (CONT'D)

### TREASURY SHARES (CONT'D)

As at 31 July 2018, the Company held as treasury shares a total of 20,881,700 of its 209,000,000 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM55,166,166. The details on the treasury shares are disclosed in Note 21 to the financial statements.

### 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 all known bad debts had been written off 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 further 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 ensure that any current assets, 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 in which this report is made.

### DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Tiong Kiong King  
YBhg. Dato' Tiong Ing  
Ngu Ying Ping  
Tiong Ing Ming  
Poh Kee Eng

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King  
YBhg. Datu Sajeli Bin Kipli  
Tan Sri Datuk Amar Haji Bujang Bin Mohammed Nor  
Datuk Tiong Thai King  
Tiong Chiong Ie  
Razali Bin Zainudin (Resigned on 1 October 2018)  
Teng King Huat  
Samuel James Tai Huei  
Daniel James Tai Hann  
Deborah Elaine Tai Hwe-Lan  
Ng Kim Fui  
Francis Kiyuk Anak Kudui (Appointed on 1 October 2018)

### 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 and its related corporations during the financial year are as follows:-

	← Number of Ordinary Shares →			At 31.7.2018
	At 1.8.2017	Bought	Sold	
<i>Direct Interests in the Company</i>				
Tiong Kiong King	1,284,043	-	(14,300)	1,269,743
YBhg. Dato' Tiong Ing	1,780,213	6,800	-	1,787,013
<i>Indirect Interests in the Company</i>				
YBhg. Dato' Tiong Ing#	569,575	3,100	(2,000)	570,675

# 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 or its related corporations during the financial year.

## DIRECTORS' REPORT (CONT'D)

### 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 remuneration received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) 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 34(b) 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' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 33 to the financial statements.

### INDEMNITY AND INSURANCE COST

During the financial year, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND OCCURRING AFTER THE REPORTING PERIOD

The significant events during the financial year and occurring after the reporting period are disclosed in Note 38 to the financial statements.

### AUDITORS

The auditors, Messrs. Crowe Malaysia (formerly known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration is disclosed in Note 29 to the financial statements.

Signed in accordance with a resolution of the directors dated 9 November 2018.

**Tiong Kiong King**  
Chairman

**YBhg. Dato' Tiong Ing**  
Managing Director

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

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 47 to 127 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 July 2018 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 9 November 2018.

**Tiong Kiong King**  
Chairman

**YBhg. Dato' Tiong Ing**  
Managing Director

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

I, Ling Chieh Min, MIA Membership Number: 18531, 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 47 to 127 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned  
Ling Chieh Min, NRIC Number: 720111-13-5094  
at Sibul  
in the State of Sarawak  
on this 9 November 2018

**Ling Chieh Min**  
Officer

Before me

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Subur Tiasa Holdings Berhad, which comprise the statements of financial position as at 31 July 2018 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 47 to 127.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 July 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### Basis of Opinion

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

#### Independence and Other Ethical Responsibilities

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

#### Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report.

<b>Impairment of Property, Plant and Equipment</b> Refer to Note 6 in the financial statements	
<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p>The Group has property, plant and equipment with an aggregate carrying amount of RM582.1 million as at 31 July 2018. Following a review of the business, the outlook for the timber industry and the Group's operating plans, management assessed the carrying amount of these property, plant and equipment. An impairment allowance of RM5.6 million, which was belonged to the Group's "Timber" reportable segment, was recorded for the financial year to reduce the carrying amounts of its property, plant and equipment to the estimated recoverable amounts.</p> <p>Management uses independent professional valuers to determine the fair values of property, plant and equipment of certain subsidiaries (involving in the timber-related businesses) that had been making losses for the past few years.</p> <p>We gave audit focus on the impairment of property, plant and equipment because of the significant judgement required for the determination of recoverable amounts of these property, plant and equipment.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> <li>• assessing the competence, capabilities and objectivity of management's valuation expert.</li> <li>• evaluating the valuation methodologies and the appropriateness of the assumptions used by the valuation expert.</li> <li>• evaluating the adequacy of the disclosures in the financial statements.</li> </ul>

## INDEPENDENT AUDITORS' REPORT (CONT'D) TO THE MEMBERS OF SUBUR TIASA HOLDINGS BERHAD (Incorporated in Malaysia)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

#### Key Audit Matters (Cont'd)

Valuation of Investment Properties Refer to Note 7 in the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The Group measured its investment properties using the fair value model. As at 31 July 2018, the Group's investment properties carried a fair value totaling RM104.2 million.</p> <p>Management uses independent professional valuers to determine the fair values of its investment properties.</p> <p>We identified valuation of investment properties as a key audit matter of our audit because of the significant judgement required for the determination of fair values of these investment properties.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> <li>• assessing the competence, capabilities and objectivity of management's valuation expert.</li> <li>• evaluating the valuation methodologies and the appropriateness of the assumptions used by the valuation expert.</li> <li>• evaluating the adequacy of the disclosures in the financial statements.</li> </ul>
Valuation of Inventories Refer to Note 16 in the financial statements	
Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The Group's inventories were stated at a carrying amount of RM110.7 million as at 31 July 2018. These inventories mainly consist of work-in-progress and finished goods.</p> <p>Inventories are measured at the lower of cost and net realisable value. The cost of work-in-progress and finished goods is based on a bill of materials that includes an allocation of the costs, including labour and overheads, to convert raw materials into finished goods.</p> <p>The allocation of conversion costs and the assessment of net realisable value of inventories on hand as at the end of the reporting period require management estimates and judgements. This, in combination with the significance of inventories in the financial statements, made us identify the valuation of inventories as a key audit matter of our audit.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> <li>• understanding management's process in determining an appropriate costing basis, including the allocation of labour and overhead costs.</li> <li>• comparing, on a sample basis, the net realisable value to the cost of inventories as at the end of the reporting period to assess the reasonableness of inventories write-down; including testing the actual selling prices of inventories post year-end and the estimated costs to make the sale.</li> <li>• evaluating the adequacy of the disclosures in the financial statements.</li> </ul>

#### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

## INDEPENDENT AUDITORS' REPORT (CONT'D) TO THE MEMBERS OF SUBUR TIASA HOLDINGS BERHAD (Incorporated in Malaysia)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

#### Responsibilities of the Directors for the Financial Statements

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

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

#### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

## **INDEPENDENT AUDITORS' REPORT (CONT'D) TO THE MEMBERS OF SUBUR TIASA HOLDINGS BERHAD (Incorporated in Malaysia)**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

#### **Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

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

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

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

### **OTHER MATTERS**

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

**Crowe Malaysia**  
Firm No: AF 1018  
Chartered Accountants

Sibu

9 November 2018

**Ling Hang Ngee**  
Approval No: 3188/07/19(J)  
Chartered Accountant

## STATEMENTS OF FINANCIAL POSITION AT 31 JULY 2018

	Note	The Group		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiaries	5	-	-	366,030	376,980
Property, plant and equipment	6	582,113	616,007	173,607	207,417
Investment properties	7	104,241	84,085	-	-
Land held for property development	8	6,628	6,437	-	-
Intangible assets	9	-	-	-	-
Biological assets	10	332,614	246,664	-	-
Investment securities	11	25,321	33,156	25,321	33,156
Goodwill	12	2,720	2,720	-	-
Long-term receivable	13	3,042	3,156	3,042	3,156
Amount owing by subsidiaries	14	-	-	349,981	293,581
Deferred tax assets	15	10,365	11,378	3,811	3,811
		<u>1,067,044</u>	<u>1,003,603</u>	<u>921,792</u>	<u>918,101</u>
<b>CURRENT ASSETS</b>					
Inventories	16	110,736	136,752	6,280	11,602
Trade receivables	17	28,226	48,735	3,354	10,968
Other receivables, deposits and prepayments	18	97,910	96,312	31,078	39,614
Current tax assets		5,692	4,739	97	1,133
Deposits with licensed banks	19	4,091	16,003	549	8,293
Cash and bank balances		7,131	12,305	1,149	3,133
		<u>253,786</u>	<u>314,846</u>	<u>42,507</u>	<u>74,743</u>
<b>TOTAL ASSETS</b>		<u><u>1,320,830</u></u>	<u><u>1,318,449</u></u>	<u><u>964,299</u></u>	<u><u>992,844</u></u>

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



## STATEMENTS OF FINANCIAL POSITION AT 31 JULY 2018 (CONT'D)

	Note	The Group		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	20	268,680	268,680	268,680	268,680
Treasury shares	21	(55,166)	(55,165)	(55,166)	(55,165)
Reserves	22	388,088	415,010	433,161	423,258
Equity attributable to owners of the Company		601,602	628,525	646,675	636,773
Non-controlling interests	5	3,763	2,489	-	-
<b>TOTAL EQUITY</b>		<b>605,365</b>	<b>631,014</b>	<b>646,675</b>	<b>636,773</b>
<b>NON-CURRENT LIABILITIES</b>					
Bank borrowings	23	82,240	92,906	1,493	560
Deferred tax liabilities	15	39,356	32,252	-	-
		121,596	125,158	1,493	560
<b>CURRENT LIABILITIES</b>					
Trade payables	25	112,139	110,838	21,110	39,030
Other payables, deposits and accruals	26	20,326	36,098	7,920	15,460
Amount owing to subsidiaries	14	-	-	58,110	97,963
Bank borrowings:-	23				
- bank overdrafts		901	-	109	-
- other borrowings		460,448	414,628	228,882	203,058
Current tax liabilities		55	713	-	-
		593,869	562,277	316,131	355,511
<b>TOTAL LIABILITIES</b>		<b>715,465</b>	<b>687,435</b>	<b>317,624</b>	<b>356,071</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,320,830</b>	<b>1,318,449</b>	<b>964,299</b>	<b>992,844</b>

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

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

	Note	The Group		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
REVENUE	27	322,163	492,636	123,954	225,658
COST OF SALES		(276,263)	(388,568)	(56,748)	(137,254)
GROSS PROFIT		45,900	104,068	67,206	88,404
OTHER INCOME		44,586	15,071	25,366	12,058
ADMINISTRATIVE EXPENSES		(36,537)	(48,473)	(30,989)	(39,560)
SELLING AND DISTRIBUTION EXPENSES		(39,041)	(48,546)	(11,417)	(21,823)
OTHER EXPENSES		(5,636)	(1,621)	(19,402)	(13,500)
FINANCE COSTS	28	(16,389)	(15,744)	(11,321)	(11,911)
(LOSS)/PROFIT BEFORE TAXATION	29	(7,117)	4,755	19,443	13,668
INCOME TAX EXPENSE	30	(11,719)	(21,215)	(1,728)	-
(LOSS)/PROFIT AFTER TAXATION		(18,836)	(16,460)	17,715	13,668
OTHER COMPREHENSIVE INCOME					
<u>Items that will not be reclassified subsequently to profit or loss</u>					
Fair value changes of financial assets measured at fair value through other comprehensive income		(7,812)	(3,593)	(7,812)	(3,593)
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>(26,648)</b>	<b>(20,053)</b>	<b>9,903</b>	<b>10,075</b>
<b>(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:-</b>					
Owners of the Company		(19,110)	(16,748)	17,715	13,668
Non-controlling interests		274	288	-	-
		<b>(18,836)</b>	<b>(16,460)</b>	<b>17,715</b>	<b>13,668</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-</b>					
Owners of the Company		(26,922)	(20,341)	9,903	10,075
Non-controlling interests		274	288	-	-
		<b>(26,648)</b>	<b>(20,053)</b>	<b>9,903</b>	<b>10,075</b>
<b>LOSS PER SHARE (SEN):-</b>	31				
Basic		(10.16)	(8.90)		
Diluted		N/A	N/A		

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

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

	← Non-distributable →				Distributable			
	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	Total Equity RM'000
<b>The Group</b>								
Balance at 1.8.2016	209,000	(55,162)	59,680	(24,439)	459,790	648,869	951	649,820
(Loss)/profit after taxation for the financial year	-	-	-	-	(16,748)	(16,748)	288	(16,460)
Other comprehensive income for the financial year:-								
- fair value changes of financial assets measured at fair value through other comprehensive income	-	-	-	(3,593)	-	(3,593)	-	(3,593)
Total comprehensive income for the financial year	-	-	-	(3,593)	(16,748)	(20,341)	288	(20,053)
Contributions by and distributions to owners of the Company:-								
- purchase of treasury shares	-	(3)	-	-	-	(3)	-	(3)
- additional investments in existing subsidiaries by non-controlling interests	-	-	-	-	-	-	1,250	1,250
- transfer to share capital upon implementation of the Companies Act 2016	59,680	-	(59,680)	-	-	-	-	-
Transactions with owners	59,680	(3)	(59,680)	-	-	(3)	1,250	1,247
Balance at 31.7.2017	268,680	(55,165)	-	(28,032)	443,042	628,525	2,489	631,014

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 2018**

	← Non-distributable →				Distributable			
	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	Total Equity RM'000
<b>The Group</b>								
Balance at 31.7.2017/1.8.2017	268,680	(55,165)	-	(28,032)	443,042	628,525	2,489	631,014
(Loss)/profit after taxation for the financial year	-	-	-	-	(19,110)	(19,110)	274	(18,836)
Other comprehensive income for the financial year:-								
- fair value changes of financial assets measured at fair value through other comprehensive income	-	-	-	(7,812)	-	(7,812)	-	(7,812)
Total comprehensive income for the financial year	-	-	-	(7,812)	(19,110)	(26,922)	274	(26,648)
Contributions by and distributions to owners of the Company:-								
- purchase of treasury shares	-	(1)	-	-	-	(1)	-	(1)
- additional investments in existing subsidiaries by non-controlling interests	-	-	-	-	-	-	1,000	1,000
Transactions with owners	-	(1)	-	-	-	(1)	1,000	999
Balance at 31.7.2018	268,680	(55,166)	-	(35,844)	423,932	601,602	3,763	605,365

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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 2018**

	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Non-distributable Fair Value Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
<b>The Company</b>						
Balance at 1.8.2016	209,000	(55,162)	59,680	(24,439)	437,622	626,701
Profit after taxation for the financial year	-	-	-	-	13,668	13,668
Other comprehensive income for the financial year:-						
- fair value changes of financial assets measured at fair value through other comprehensive income	-	-	-	(3,593)	-	(3,593)
Total comprehensive income for the financial year	-	-	-	(3,593)	13,668	10,075
Contributions by and distributions to owners of the Company:-						
- purchase of treasury shares	-	(3)	-	-	-	(3)
- transfer to share capital upon implementation of the Companies Act 2016	59,680	-	(59,680)	-	-	-
Transactions with owners	59,680	(3)	(59,680)	-	-	(3)
Balance at 31.7.2017	268,680	(55,165)	-	(28,032)	451,290	636,773

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 2018**

	Share Capital RM'000	Treasury Shares RM'000	Non-distributable			Distributable Retained Profits RM'000	Total Equity RM'000
			Share Premium RM'000	Fair Value Reserve RM'000			
<b>The Company</b>							
Balance at 31.7.2017/1.8.2017	268,680	(55,165)	-	(28,032)	451,290	636,773	
Profit after taxation for the financial year	-	-	-	-	17,715	17,715	
Other comprehensive income for the financial year:-							
- fair value changes of financial assets measured at fair value through other comprehensive income	-	-	-	(7,812)	-	(7,812)	
Total comprehensive income for the financial year	-	-	-	(7,812)	17,715	9,903	
Contributions by and distributions to owners of the Company:-							
- purchase of treasury shares	-	(1)	-	-	-	(1)	
Balance at 31.7.2018	<u>268,680</u>	<u>(55,166)</u>	<u>-</u>	<u>(35,844)</u>	<u>469,005</u>	<u>646,675</u>	

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

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>				
(Loss)/profit before taxation	(7,117)	4,755	19,443	13,668
Adjustments for:-				
Allowance for slow-moving inventories	1,066	1,282	251	302
Amortisation of biological assets	6,774	5,981	-	-
Amortisation of intangible assets	-	1,621	-	-
Bad debts written off	-	3	-	-
Depreciation of property, plant and equipment	35,479	39,662	12,781	15,385
Dividend income	(19)	(32)	(45,219)	(47,882)
Fair value gain on investment properties	(17,293)	(4,595)	-	-
Fair value loss/(gain) on investment securities	37	(13)	37	(13)
Impairment losses on:-				
- amount owing by subsidiaries	-	-	866	-
- investments in subsidiaries	-	-	18,500	13,500
- property, plant and equipment	5,600	-	-	-
Interest expense	16,389	15,744	11,321	11,911
Interest income	(578)	(799)	(8,501)	(6,184)
Gain on disposal of property, plant and equipment	(19,582)	(5,758)	(9,033)	(182)
Property, plant and equipment written off	335	68	317	-
Reversal of write-down of inventories	-	(355)	-	-
Unrealised loss/(gain) on foreign exchange	322	232	(1)	(7)
Write-down of inventories	7,553	3,622	-	-
Operating profit before working capital changes	28,966	61,418	762	498
Decrease/(increase) in inventories	17,397	26,520	5,071	(2,425)
Decrease/(increase) in trade and other receivables	18,740	(44,960)	16,265	8,394
(Decrease)/increase in trade and other payables	(14,493)	32,704	(25,460)	17,241
Net increase in amount owing by subsidiaries	-	-	(97,119)	(8,803)
<b>CASH FROM/(FOR) OPERATIONS</b>	<b>50,610</b>	<b>75,682</b>	<b>(100,481)</b>	<b>14,905</b>
Income tax paid	(5,692)	(1,920)	(691)	-
Income tax refunded	480	62	-	-
Interest paid	(24,452)	(22,059)	(11,321)	(11,911)
Interest received	578	799	8,501	6,184
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES</b>	<b>21,524</b>	<b>52,564</b>	<b>(103,992)</b>	<b>9,178</b>

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

## STATEMENTS OF CASH FLOWS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

	Note	The Group		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>					
Acquisition of subsidiaries, net of cash and cash equivalents acquired	5(a)	-	-	-	-
Additional investments in subsidiaries		-	-	(7,550)	(6,500)
Additional investments in existing subsidiaries by non-controlling interests		250	500	-	-
Costs incurred on biological assets		(81,761)	(46,080)	-	-
Dividend received		19	32	45,219	47,882
Proceeds from disposal of property, plant and equipment		34,373	9,181	35,049	12,968
Purchase of investment securities		(15)	(14)	(15)	(14)
Purchase of land held for property held for development		(191)	(432)	-	-
Purchase of property, plant and equipment	32(a)	(25,114)	(46,948)	(5,304)	(5,094)
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>		<b>(72,439)</b>	<b>(83,761)</b>	<b>67,399</b>	<b>49,242</b>
<b>CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES</b>					
Drawdown of hire purchase obligations	32(b)	1,426	-	-	-
Drawdown of term loans	32(b)	5,850	24,000	2,030	-
Net of drawdown/(repayment) of bankers' acceptance	32(b)	3,010	14,799	-	(14,210)
Net of drawdown/(repayment) of revolving credit	32(b)	56,000	38,500	35,000	(12,500)
Purchase of treasury shares	21	(1)	(3)	(1)	(3)
Repayment of hire purchase obligations	32(b)	(17,610)	(50,230)	(10,060)	(44,040)
Repayment of term loans	32(b)	(15,732)	(15,219)	(213)	-
Decrease in pledged deposits with licensed banks		(38)	(31)	(20)	(12)
<b>NET CASH FROM/(FOR) FINANCING ACTIVITIES</b>		<b>32,905</b>	<b>11,816</b>	<b>26,736</b>	<b>(70,765)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(18,010)</b>	<b>(19,381)</b>	<b>(9,857)</b>	<b>(12,345)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>(15)</b>	<b>131</b>	<b>-</b>	<b>146</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>27,326</b>	<b>46,576</b>	<b>11,057</b>	<b>23,256</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	32(c)	<b>9,301</b>	<b>27,326</b>	<b>1,200</b>	<b>11,057</b>

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in 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 Sibu, Sarawak.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 9 November 2018.

### 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, provision of management services, 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 2016 in Malaysia.

- 3.1 During the current financial year, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

#### FRSs and/or IC Interpretations (Including the Consequential Amendments)

Amendments to FRS 107: Disclosure Initiative

Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to FRS Standards 2014 – 2016 Cycles: Amendments to FRS 12: Clarification of the Scope of the Standard

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group’s financial statements except as follows:-

The amendments to FRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 32(b) to the financial statements.

- 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)

	<b>Effective Date</b>
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 <i>Insurance Contracts</i>	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to FRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to FRS Standards 2014 – 2016 Cycles:	
• Amendments to FRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to FRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 3. BASIS OF PREPARATION (CONT'D)

- 3.2 As disclosed in Note 3.3 to the financial statements, the Group will be applying the Malaysian Financial Reporting Standards (“MFRS”) Framework in the next financial year. Therefore, the Group will not be adopting the above FRSs, Interpretations and Amendments to FRSs.
- 3.3 On 30 November 2017, MASB issued notice of withdrawal of FRSs for the application on financial statements with annual reporting period beginning on or after 1 January 2018. Therefore, the Group has decided to adopt the MFRS Framework effective 1 August 2018.

In preparing the first MFRS financial statements in accordance with MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (“MFRS 1”), adjustments will be made to the financial statements of the Group for the current financial year to ensure the comparative financial information in the first MFRS financial statements is comparable. Accordingly, the financial performance and financial position of the Group as presented in these financial statements could be different if prepared in accordance with MFRS Framework. The adjustments required on transition are expected to be made retrospectively other than those exempted under MFRS 1.

The adoption of the MFRS Framework in the next financial year is not expected to have significant financial impacts to the financial statements of the Group for the current financial year and prior periods other than as mentioned below:-

- (a) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of “distinct” for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Based on the assessments undertaken to date, the Group has determined that the impact on its financial statements upon the initial application of MFRS 15 is insignificant as the timing and amount of revenue to be recognised for the sale of goods and the rendering of services under the new standard are unlikely to be materially different from its current practice. However, the Group is required to disclose additional information about its contracts with customers in the financial statements.

- (b) MFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases. The standard requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-to-use asset is depreciated in accordance with the principle in MFRS 116 *Property, Plant and Equipment* and the lease liability is accreted over time with interest recognised in profit or loss.

The Group is currently assessing the potential impact on the adoption of MFRS 16 to its financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 3. BASIS OF PREPARATION (CONT'D)

3.3 The adoption of the MFRS Framework in the next financial year is not expected to have significant financial impacts to the financial statements of the Group for the current financial year and prior periods other than as mentioned below (cont'd) :-

- (c) MFRS 141 requires measurement at fair value less costs to sell from initial recognition of biological assets, except for bearer plants, up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. This standard requires that subsequent change in fair value less costs to sell of a biological asset to be recognised in profit or loss for the period in which it arises.

The Group is currently assessing the potential impact on the adoption of MFRS 141 to its financial statements.

Biological assets that meet the definition of bearer plants are within the scope of MFRS 116 *Property, Plant and Equipment*. After initial recognition, bearer plants will be measured at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). As the Group is currently measuring the bearer biological assets at cost less amortisation, the change in accounting policies is limited to the reclassification of the bearer assets from biological assets to property, plant and equipment and thus, the change will not impact its financial performance.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

##### *Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

##### **(a) 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. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 6 to the financial statements.

##### **(b) Valuation of Investment Properties**

Investment properties of the Group are reported at fair value which is based on valuations performed by independent professional valuers by reference to the selling prices of recent transactions and asking prices of similar properties of nearby location and where necessary, adjusting for tenure, location, size and market trends. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuations. The carrying amount of investment properties as at the reporting date is disclosed in Note 7 to the financial statements.

##### **(c) Impairment of Goodwill**

The assessment of whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 12 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

##### *Key Sources of Estimation Uncertainty (Cont'd)*

##### **(d) Impairment of Property, Plant and Equipment, and Biological Assets**

The Group determines whether its property, plant and equipment, and biological assets are impaired by evaluating the extent to which the recoverable amounts of the assets are less than their carrying amounts. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amounts, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of property, plant and equipment, and biological assets as at the reporting date are disclosed in Notes 6 and 10 to the financial statements respectively.

##### **(e) 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. The carrying amount of inventories as at the reporting date is disclosed in Note 16 to the financial statements.

##### **(f) 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. The carrying amounts of trade and other receivables as at the reporting date are disclosed in Notes 17 and 18 to the financial statements respectively.

##### **(g) 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 period in which such determination is made.

##### **(h) Deferred Tax Assets**

Deferred tax assets are recognised for all deductible temporary differences, and unused tax losses and tax credits to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, and unused tax losses and tax credits could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 15 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

##### *Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

##### **(a) Classification between Investment Properties and Owner occupied Properties**

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment properties.

##### **(b) 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.

#### 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. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.2 BASIS OF CONSOLIDATION (CONT'D)

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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.3 GOODWILL (CONT'D)

##### 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 in profit or loss immediately.

##### 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.

#### 4.4 FUNCTIONAL AND FOREIGN CURRENCIES

##### (a) Functional and Presentation Currency

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) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange 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 (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.4 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

##### (c) Foreign Operations (Cont'd)

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, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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 related 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 is not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulated exchange differences is reclassified to 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.

#### 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. Fair value adjustments on shareholder's loans and advances at initial recognition are added to the carrying value of the investments in the financial statements of the Company.

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.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.5 FINANCIAL INSTRUMENTS (CONT'D)

##### (a) Financial Assets (Cont'd)

###### (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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.5 FINANCIAL INSTRUMENTS (CONT'D)

##### (b) Financial Liabilities

###### (i) Financial Liabilities Measured at Fair Value through Profit or Loss

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.

###### (ii) Other Financial Liabilities

All other financial liabilities are classified as measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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.

##### (c) Equity Instruments

###### (i) Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

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 reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.5 FINANCIAL INSTRUMENTS (CONT'D)

##### (d) Derecognition (Cont'd)

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.

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, including the fair value adjustments on inter-company loans at inception date, 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

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a 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 leasehold periods of 16 to 184 years
Buildings	2% - 10%
Watercrafts, trucks and motor vehicles	5% - 25%
Plant and machinery	5% - 20%
Infrastructure facilities	5% - 10%
Furniture, fittings and equipment	5% - 20%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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. Any changes are accounted for as a change in estimate.

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.

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 which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at fair value with fair value changes recognised in profit or loss.

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. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

#### 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

##### (a) Oil Palm Plantation Expenditure

Oil palm plantation expenditure is stated at cost less accumulated amortisation and impairment losses, if any.

Planting expenditure incurred on land clearing, upkeep of immature oil palm trees, administrative expenses directly attributable to planting and interest incurred during the pre-cropping period is capitalised at cost as oil palm plantation expenditure. 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 oil palm trees, upon maturity.

##### (b) Reforestation Expenditure

Reforestation expenditure is stated at cost less accumulated depletion and impairment losses, if any.

Planting expenditure incurred on upkeep of trees up to the time of harvest is capitalised at cost as reforestation expenditure and will only be charged to profit or loss as depletion at the time of harvest based on the trees/areas harvested.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

##### (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 an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

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 LEASED ASSETS

##### (a) Finance Lease

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase obligations.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.13 LEASED ASSETS (CONT'D)

##### (a) Finance Lease (Cont'd)

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

##### (b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

#### 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.
- (c) Nursery inventories – all costs that are directly attributable to the nursery development activities.

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.

#### 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 discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.17 EMPLOYEE BENEFITS

##### (a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses 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

##### (a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

##### (b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill 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 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 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 the related tax benefits will be realised.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

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

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.18 INCOME TAXES (CONT'D)

##### (c) Goods and Services Tax ("GST") (Cont'd)

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or 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 (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.20 CONTINGENT LIABILITIES (CONT'D)

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. 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.

#### 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 are 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. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

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

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.24 FAIR VALUE MEASUREMENTS (CONT'D)

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

#### 4.25 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

##### (a) Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

##### (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 operation 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 investment 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	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	431,781	424,231
Less: Accumulated impairment losses	(65,751)	(47,251)
	366,030	376,980
	366,030	376,980

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2018 %	2017 %	
<i>Subsidiaries of the Company</i>				
JPH Logging Sdn. Bhd.	Malaysia	100	100	Logging contractor, provision of handling 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
Exelle Timber Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of charcoal
Homet Raya Sdn. Bhd.	Malaysia	100	100	Supply of electricity, steam, and trading of lighting products and general hardware
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
Tiasa Mesra Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2018 %	2017 %	
<i>Subsidiaries of the Company (Cont'd)</i>				
Fruitful Palm Sdn. Bhd. (formerly known as Merri Sdn. Bhd.)	Malaysia	100	100	Cultivation of oil palm
United Superland Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Blessings Palm Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm and tree planting
Allied Asiatic Sdn. Bhd.	Malaysia	100	100	Towage and transportation services
JPH Enterprise Sdn. Bhd.	Malaysia	100	100	Insurance agency
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
Subur Properties Sdn. Bhd.	Malaysia	100	100	Investment holding
Subur Tiasa R&D Sdn. Bhd.	Malaysia	100	100	Biotech laboratory and research, consultancy and general trading activities
Subur Global Pte. Ltd.^	Singapore	100	100	Provision of consultancy services
Hahn Fert Sdn. Bhd.	Malaysia	75	75	Trading of agriculture fertilisers
Momaspace Sdn. Bhd.	Malaysia	100	100	Trading of drinking water and provision of advertising services
T. Q. Oriental Sdn. Bhd.	Malaysia	100	100	Dormant
Sarawak Plywood (M) Sdn. Bhd.	Malaysia	100	100	Dormant
AA Plywood Sdn. Bhd.	Malaysia	100	100	Dormant
Semarak Veneer & Plywood Sdn. Bhd.	Malaysia	100	100	Dormant

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2018 %	2017 %	
<i>Subsidiaries of the Company (Cont'd)</i>				
Honeybrix Sdn. Bhd.	Malaysia	100	100	Dormant
Mamo Sdn. Bhd.	Malaysia	100	100	Dormant
Momaworld Sdn. Bhd.	Malaysia	100	100	Dormant
Merri Mee Sdn. Bhd.	Malaysia	100	100	Dormant
Merri Marketing Sdn. Bhd.	Malaysia	100	100	Dormant
LX Photonics Sdn. Bhd.	Malaysia	100	100	Dormant
Excel Logging Sdn. Bhd.	Malaysia	100	-	Dormant
<i>Subsidiary of Momawater Sdn. Bhd.</i>				
MOMA Marketing Pte. Ltd. <sup>^</sup>	Singapore	100	100	General wholesale trade
<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>				
Tiasa Heights Sdn. Bhd.	Malaysia	100	100	Property holding and development
Prestige Superland Sdn. Bhd.	Malaysia	100	100	Dormant

<sup>^</sup> Not required to be audited under the laws of the country of incorporation.

- (a) On 7 February 2018, the Company subscribed for 1 ordinary share, representing 100% equity interest, in Excel Logging Sdn. Bhd. for a cash consideration of RM1. In the previous financial year, the Company acquired 100% equity interest in MOMA Marketing Pte. Ltd. for a cash consideration of RM3.

The acquisitions had no significant effect on the financial results of the Group for the financial year and the financial position of the Group as at the end of the reporting period.

- (b) During the financial year, the Company carried out a review of the recoverable amounts of its investments in certain subsidiaries that had been making losses for the past few years. An impairment loss of RM18,500,000 (2017: RM13,500,000), representing the write-down of the investments to their recoverable amounts, was recognised in "Other Expenses" line item of the statement of profit or loss and other comprehensive income.

These investments in subsidiaries are belonged to the Group's "Timber" reportable segment.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	Effective Equity Interest		The Group	
	2018 %	2017 %	2018 RM'000	2017 RM'000
Hahn Fert Sdn. Bhd.	25	25	845	568
Victory Pelita Kabah Sdn. Bhd.	40	40	2,918	1,921
			<u>3,763</u>	<u>2,489</u>

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

	Hahn Fert Sdn. Bhd.	
	2018 RM'000	2017 RM'000
<u>At 31 July</u>		
Non-current assets	-	-
Current assets	36,282	16,056
Non-current liabilities	-	-
Current liabilities	(32,904)	(13,783)
Net assets	<u>3,378</u>	<u>2,273</u>
<u>Financial Year Ended 31 July</u>		
Revenue	32,977	19,050
Profit for the financial year	1,105	1,273
Total comprehensive income	<u>1,105</u>	<u>1,273</u>
Total comprehensive income attributable to non-controlling interests	276	318
Dividends paid to non-controlling interests	-	-
Net cash flows for operating activities	(338)	(619)
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	1,000

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (d) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests is as follows (cont'd):-

	<b>Victory Pelita Kabah Sdn. Bhd.</b>	
	<b>2018</b>	<b>2017</b>
	RM'000	RM'000
<u>At 31 July</u>		
Non-current assets	44,863	25,620
Current assets	1,537	727
Non-current liabilities	(756)	(556)
Current liabilities	(38,348)	(20,989)
Net assets	<u>7,296</u>	<u>4,802</u>
<u>Financial Year Ended 31 July</u>		
Revenue	453	59
Loss for the financial year	(5)	(77)
Total comprehensive income	<u>(5)</u>	<u>(77)</u>
Total comprehensive income attributable to non-controlling interests	(2)	(30)
Dividends paid to non-controlling interests	-	-
Net cash flows from operating activities	10,986	8,715
Net cash flows for investing activities	(16,522)	(11,089)
Net cash flows from financing activities	<u>4,529</u>	<u>1,711</u>



**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

**6. PROPERTY, PLANT AND EQUIPMENT**

	At 1.8.2017 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassi- fications RM'000	Depreciation Charge RM'000	Impairment Losses RM'000	At 31.7.2018 RM'000
<b>The Group</b>								
<b>2018</b>								
<i>Carrying Amount</i>								
Freehold land	17,245	-	-	-	-	-	-	17,245
Long leasehold land	23,865	750	-	-	-	(448)	-	24,167
Short leasehold land	54,235	-	-	-	-	(1,491)	-	52,744
Buildings	116,621	110	(11)	-	519	(5,566)	-	111,673
Watercrafts, trucks and motor vehicles	238,693	451	(14,389)	(1)	2,807	(15,174)	-	212,387
Plant and machinery	100,217	557	(105)	(4)	1,508	(11,249)	(5,600)	85,324
Infrastructure facilities	27,854	6,121	(101)	-	2,093	(2,284)	-	33,683
Furniture, fittings and equipment	11,608	416	(104)	(13)	454	(2,167)	-	10,194
Capital work-in-progress	25,669	19,669	(81)	(317)	(10,244)	-	-	34,696
	<u>616,007</u>	<u>28,074</u>	<u>(14,791)</u>	<u>(335)</u>	<u>(2,863)</u>	<u>(38,379)</u>	<u>(5,600)</u>	<u>582,113</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

**6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At		Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassi- fications RM'000	Depreciation Charge RM'000	At	
	1.8.2016 RM'000	31.7.2017 RM'000						1.8.2016 RM'000	31.7.2017 RM'000
<b>The Group</b>									
<b>2017</b>									
<i>Carrying Amount</i>									
Freehold land	17,245	17,245	-	-	-	-	-	-	17,245
Long leasehold land	23,542	23,865	750	-	-	-	(427)	(427)	23,865
Short leasehold land	55,726	54,235	-	-	-	-	(1,491)	(1,491)	54,235
Buildings	115,715	116,621	3,515	(3)	(6)	3,015	(5,615)	(5,615)	116,621
Watercrafts, trucks and motor vehicles	241,840	238,693	8,664	(2,982)	-	7,558	(16,387)	(16,387)	238,693
Plant and machinery	105,151	100,217	667	(428)	-	6,800	(11,973)	(11,973)	100,217
Infrastructure facilities	14,592	27,854	16,415	(5)	(4)	85	(3,229)	(3,229)	27,854
Furniture, fittings and equipment	12,253	11,608	1,233	(5)	(26)	280	(2,127)	(2,127)	11,608
Capital work-in-progress	20,464	25,669	22,975	-	(32)	(17,738)	-	-	25,669
	<u>606,528</u>	<u>616,007</u>	<u>54,219</u>	<u>(3,423)</u>	<u>(68)</u>	<u>-</u>	<u>(41,249)</u>	<u>(41,249)</u>	<u>616,007</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Accumulated Impairment Losses RM'000	Carrying Amount RM'000
<b>2018</b>				
Freehold land	17,245	-	-	17,245
Long leasehold land	26,727	(2,560)	-	24,167
Short leasehold land	72,719	(19,975)	-	52,744
Buildings	232,344	(117,237)	(3,434)	111,673
Watercrafts, trucks and motor vehicles	483,963	(271,576)	-	212,387
Plant and machinery	381,333	(288,915)	(7,094)	85,324
Infrastructure facilities	133,890	(100,207)	-	33,683
Furniture, fittings and equipment	36,082	(25,888)	-	10,194
Capital work-in-progress	34,696	-	-	34,696
	<u>1,418,999</u>	<u>(826,358)</u>	<u>(10,528)</u>	<u>582,113</u>
<b>2017</b>				
Freehold land	17,245	-	-	17,245
Long leasehold land	25,977	(2,112)	-	23,865
Short leasehold land	72,719	(18,484)	-	54,235
Buildings	232,161	(112,106)	(3,434)	116,621
Watercrafts, trucks and motor vehicles	542,949	(304,256)	-	238,693
Plant and machinery	406,702	(304,991)	(1,494)	100,217
Infrastructure facilities	125,881	(98,027)	-	27,854
Furniture, fittings and equipment	36,422	(24,814)	-	11,608
Capital work-in-progress	25,669	-	-	25,669
	<u>1,485,725</u>	<u>(864,790)</u>	<u>(4,928)</u>	<u>616,007</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

**6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.8.2017 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassi- fications RM'000	Depreciation Charge RM'000	At 31.7.2018 RM'000
<b>The Company</b>							
<b>2018</b>							
<i>Carrying Amount</i>							
Long leasehold land	1,778	-	-	-	-	(33)	1,745
Short leasehold land	11,243	-	-	-	-	(326)	10,917
Buildings	15,779	74	(297)	-	2,106	(804)	16,858
Watercrafts, trucks and motor vehicles	170,064	4,825	(25,663)	-	30	(10,197)	139,059
Plant and machinery	535	-	(42)	-	274	(218)	549
Infrastructure facilities	112	-	-	-	-	(90)	22
Furniture, fittings and equipment	4,757	331	(14)	-	433	(1,113)	4,394
Capital work-in-progress	3,149	74	-	(317)	(2,843)	-	63
	<u>207,417</u>	<u>5,304</u>	<u>(26,016)</u>	<u>(317)</u>	<u>-</u>	<u>(12,781)</u>	<u>173,607</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

**6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.8.2016 RM'000	Additions RM'000	Disposals RM'000	Reclassi- fications RM'000	Depreciation Charge RM'000	At 31.7.2017 RM'000
<b>The Company</b>						
<b>2017</b>						
<i>Carrying Amount</i>						
Long leasehold land	1,811	-	-	-	(33)	1,778
Short leasehold land	11,570	-	-	-	(327)	11,243
Buildings	12,530	3,057	-	901	(709)	15,779
Watercrafts, trucks and motor vehicles	195,563	6	(12,774)	-	(12,731)	170,064
Plant and machinery	707	32	-	-	(204)	535
Infrastructure facilities	405	-	-	-	(293)	112
Furniture, fittings and equipment	5,162	451	(12)	244	(1,088)	4,757
Capital work-in-progress	2,746	1,548	-	(1,145)	-	3,149
	<u>230,494</u>	<u>5,094</u>	<u>(12,786)</u>	<u>-</u>	<u>(15,385)</u>	<u>207,417</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Accumulated Impairment Losses RM'000	Carrying Amount RM'000
<b>2018</b>				
Long leasehold land	2,575	(830)	-	1,745
Short leasehold land	12,605	(1,688)	-	10,917
Buildings	26,826	(8,033)	(1,935)	16,858
Watercrafts, trucks and motor vehicles	312,045	(172,986)	-	139,059
Plant and machinery	3,186	(2,637)	-	549
Infrastructure facilities	70,129	(70,107)	-	22
Furniture, fittings and equipment	20,552	(16,158)	-	4,394
Capital work-in-progress	63	-	-	63
	<u>447,981</u>	<u>(272,439)</u>	<u>(1,935)</u>	<u>173,607</u>
<b>2017</b>				
Long leasehold land	2,575	(797)	-	1,778
Short leasehold land	12,605	(1,362)	-	11,243
Buildings	25,058	(7,344)	(1,935)	15,779
Watercrafts, trucks and motor vehicles	364,976	(194,912)	-	170,064
Plant and machinery	3,116	(2,581)	-	535
Infrastructure facilities	70,129	(70,017)	-	112
Furniture, fittings and equipment	20,089	(15,332)	-	4,757
Capital work-in-progress	3,149	-	-	3,149
	<u>501,697</u>	<u>(292,345)</u>	<u>(1,935)</u>	<u>207,417</u>

(a) Included in the depreciation charge of the Group for the financial year is an amount of RM2,900,000 (2017: RM1,587,000), which is capitalised under biological assets.

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Watercrafts, trucks and motor vehicles	22,027	72,590	5,639	54,748
Plant and machinery	17,734	18,358	-	-
	<u>39,761</u>	<u>90,948</u>	<u>5,639</u>	<u>54,748</u>

These assets are pledged as security for the related hire purchase obligations of the Group as disclosed in Note 24 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (c) The carrying amount 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		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Long leasehold land	4,207	2,050	-	-
Short leasehold land	2,426	2,480	-	-
Buildings	25,912	23,436	2,649	-
Watercrafts, trucks and motor vehicles	9,018	6,708	-	-
Plant and machinery	50,006	60,073	-	-
Infrastructure facilities	6,528	5,243	-	-
Furniture, fittings and equipment	2,817	3,082	-	-
Capital work-in-progress	3,114	425	-	-
	<u>104,028</u>	<u>103,497</u>	<u>2,649</u>	<u>-</u>

- (d) Certain buildings of the Group with a total carrying amount of RM42,183,000 (2017: RM44,225,000) 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.
- (e) During the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment because certain subsidiaries had been persistently making losses. An impairment loss of RM5,600,000 (2017: Nil), representing the write-down of the property, plant and equipment to the recoverable amount was recognised in "Other Expenses" line item of the Statement of Profit or Loss and Other Comprehensive Income as disclosed in Note 29 to the financial statements. The recoverable amount of the property, plant and equipment was determined based on valuations performed by independent professional valuers on a depreciated replacement cost method. The method makes reference to:-
- Land – the recent transacted prices of similar land in close proximity with adjustments made for size, location, improvements and tenure.
  - Buildings – the estimation of reproduction cost of the buildings of same kind and design as when new based on current market prices for materials, labour and current construction techniques and deducting therefrom the accrued depreciation due to use and disrepair, age and obsolescence through technology and market changes.
  - Plant and machinery – the remaining economic life span of the plant and machinery, current state of the technology of the industry and the observed physical condition of the plant and machinery.

### 7. INVESTMENT PROPERTIES

	The Group	
	2018 RM'000	2017 RM'000
At 1 August	84,085	79,490
Gain on changes in fair value	17,293	4,595
Transfer from property, plant and equipment (Note 6)	2,863	-
At 31 July	<u>104,241</u>	<u>84,085</u>
Included in the above are:-		
Buildings, at fair value	3,770	-
Long leasehold land, at fair value	93,466	77,080
Short leasehold land, at fair value	7,005	7,005
	<u>104,241</u>	<u>84,085</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 7. INVESTMENT PROPERTIES (CONT'D)

Investment properties are stated at fair value, which is determined based on valuations performed by independent professional valuers at the end of the reporting date using the market comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, location, tenure and market trends. The most significant input into this valuation approach is price per acre of comparable properties. There has been no change to the valuation technique during the financial year.

The fair values of the investment properties are within level 2 of the fair value hierarchy.

There were no transfers between level 1 and level 2 during the financial year.

The fair value measurements of the investment properties are based on the highest and best use which does not differ from their actual use.

### 8. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group	
	2018 RM'000	2017 RM'000
Cost:-		
At 1 August	6,437	6,005
Additions during the financial year	191	432
At 31 July	<u>6,628</u>	<u>6,437</u>

### 9. INTANGIBLE ASSETS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost:-				
At 1 August	202,461	225,151	183,447	183,447
Write-offs during the financial year	(80,825)	(22,690)	(80,825)	-
At 31 July	<u>121,636</u>	<u>202,461</u>	<u>102,622</u>	<u>183,447</u>
Accumulated amortisation:-				
At 1 August	202,461	223,530	183,447	183,447
Amortisation during the financial year	-	1,621	-	-
Retirements during the financial year	(80,825)	(22,690)	(80,825)	-
At 31 July	<u>121,636</u>	<u>202,461</u>	<u>102,622</u>	<u>183,447</u>
Carrying amount:-				
At 31 July	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Included in the above are:-				
Computer software	-	-	-	-
Rights in timber licences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group has 3 (2017: 4) timber licences. The timber licences are renewable on a yearly basis.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 10. BIOLOGICAL ASSETS

	The Group	
	2018 RM'000	2017 RM'000
Cost:-		
At 1 August	275,729	221,747
Additions during the financial year	92,724	53,982
At 31 July	368,453	275,729
Accumulated amortisation:-		
At 1 August	29,065	23,084
Amortisation during the financial year	6,774	5,981
At 31 July	35,839	29,065
Carrying amount:-		
At 31 July	332,614	246,664

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

	The Group	
	2018 RM'000	2017 RM'000
Depreciation of property, plant and equipment	2,900	1,587
Finance costs:-		
- hire purchase interest	119	24
- term loan interest	1,152	1,559
- other interest	6,792	4,732
Management fee	1,114	-
Rental of equipment and vehicles	1,810	450
Rental of buildings	7	-
Staff costs:-		
- short-term employee benefits	14,254	9,281
- defined contribution plans	1,161	692
	20,290	17,673

(b) The carrying amount of biological assets pledged to licensed banks as security for banking facilities granted to the Group (Note 23) is RM207,644,000 (2017: RM188,361,000).

(c) Included in the biological assets of the Group is an oil palm plantation with a carrying amount of RM113,807,000 (2017: RM106,475,000), which is situated on 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 11. INVESTMENT SECURITIES

	<b>The Group/The Company</b>	
	<b>2018</b>	<b>2017</b>
	RM'000	RM'000
Quoted outside Malaysia:-		
- debt securities	357	379
- equity investments	3,679	3,286
Quoted in Malaysia:-		
- equity investments	15,285	23,491
Unquoted in Malaysia:-		
- equity investments	6,000	6,000
	<u>25,321</u>	<u>33,156</u>
Represented by:-		
At cost	6,000	6,000
At fair value	19,321	27,156
	<u>25,321</u>	<u>33,156</u>
Market value of quoted investments:-		
- debt securities	357	379
- equity investments	18,964	26,777
	<u>19,321</u>	<u>27,156</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.

### 12. GOODWILL

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	RM'000	RM'000
Cost:-		
At 1 August/31 July	<u>2,720</u>	<u>2,720</u>

- (a) Goodwill acquired through business combination is allocated to the Group's oil palm plantation cash-generating unit, which belongs to "Plantation" reportable segment.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 12. GOODWILL (CONT'D)

(b) During the financial year, the Group 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 9.7% (2017: 9.1%).
- (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 cash-generating unit carrying amount 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 3 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. AMOUNT OWING BY/(TO) SUBSIDIARIES

	<b>The Company</b>	
	<b>2018</b>	<b>2017</b>
	RM'000	RM'000
<b>Amount owing by subsidiaries</b>		
<u>Non-current</u>		
Non-trade balances	372,403	315,137
Less: Accumulated impairment losses	(22,422)	(21,556)
	<u>349,981</u>	<u>293,581</u>
Allowance for impairment losses:-		
At 1 August	21,556	21,556
Additions during the financial year	866	-
At 31 July	<u>22,422</u>	<u>21,556</u>
<b>Amount owing to subsidiaries</b>		
<u>Current</u>		
Trade balances	17,140	21,730
Non-trade balances	40,970	76,233
	<u>58,110</u>	<u>97,963</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 14. AMOUNT OWING BY/(TO) SUBSIDIARIES (CONT'D)

- (a) Included in the non-trade balances is an amount of RM204,198,000 (2017: RM129,619,000) receivable from subsidiaries, which earns interest at rate of 5.50% (2017: 4.70% to 5.50%) per annum. The remaining balances are unsecured, interest-free and repayable on demand.
- (b) The trade balances are subject to the normal trade credit term of 180 (2017: 180) days. The amount owing is to be settled in cash.
- (c) Amount owing by subsidiaries that are individually determined to be impaired relate to subsidiaries that have been suffering significant financial losses.

### 15. DEFERRED TAX

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 August	20,874	1,657	(3,811)	(3,811)
Recognised in profit or loss (Note 30)	8,117	19,217	-	-
At 31 July	<u>28,991</u>	<u>20,874</u>	<u>(3,811)</u>	<u>(3,811)</u>

The deferred tax is attributable to the followings:-

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment, and biological assets	109,012	85,550	9,243	3,800
Investment properties	1,405	541	-	-
Intangible assets	4,460	4,585	-	-
Inventories	(326)	(266)	(233)	(173)
Receivables	(1,469)	(1,469)	(6,802)	(6,595)
Accrued liabilities	(638)	(1,705)	(537)	(845)
Foreign exchange	(60)	(9)	-	2
Unutilised investment tax allowance	(8,444)	(8,443)	-	-
Unused tax losses	(26,972)	(15,113)	-	-
Unabsorbed agricultural/capital allowance	(47,977)	(42,797)	(5,482)	-
	<u>28,991</u>	<u>20,874</u>	<u>(3,811)</u>	<u>(3,811)</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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax liabilities	39,356	32,252	-	-
Deferred tax assets	(10,365)	(11,378)	(3,811)	(3,811)
	<u>28,991</u>	<u>20,874</u>	<u>(3,811)</u>	<u>(3,811)</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 15. DEFERRED TAX (CONT'D)

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, and the carryforward tax losses and tax credits can be utilised:-

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deductible temporary differences	2,462	3,120	-	192
Unutilised investment tax allowance	7,745	7,745	-	-
Unused tax losses	17,861	12,315	-	-
Unabsorbed agricultural/capital allowance	11,926	8,150	9,137	9,489
	<u>39,994</u>	<u>31,330</u>	<u>9,137</u>	<u>9,681</u>

### 16. INVENTORIES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost:-				
Raw materials				
- logs	8,829	14,542	4,444	9,278
- waste timber	1,076	398	-	-
- others	1,691	468	-	-
Finished goods				
- bottled water	19	30	-	-
- charcoal	696	1,692	-	-
- particleboard	6,707	4,878	-	-
- sawn timber	-	1,521	-	-
Work-in-progress	124	732	-	-
Nursery inventories	305	3,767	-	-
General stores	34,297	36,617	1,836	2,324
	<u>53,744</u>	<u>64,645</u>	<u>6,280</u>	<u>11,602</u>
At net realisable value:				
Raw materials				
- logs	10	148	-	-
Finished goods				
- bottled water	1,199	1,517	-	-
- charcoal	490	-	-	-
- plywood	24,371	39,873	-	-
- sawn timber	2,297	4,998	-	-
Work-in-progress	28,461	25,407	-	-
General stores	164	164	-	-
	<u>56,992</u>	<u>72,107</u>	<u>-</u>	<u>-</u>
	<u>110,736</u>	<u>136,752</u>	<u>6,280</u>	<u>11,602</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 17. TRADE RECEIVABLES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables:-				
- third parties	15,723	22,820	1,962	9,705
- related parties	14,255	27,667	1,410	1,281
	<u>29,978</u>	<u>50,487</u>	<u>3,372</u>	<u>10,986</u>
Less: Allowance for impairment losses	(1,752)	(1,752)	(18)	(18)
	<u>28,226</u>	<u>48,735</u>	<u>3,354</u>	<u>10,968</u>
Allowance for impairment losses:-				
At 1 August/31 July	<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 (2017: 30 to 180) days.

### 18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables:-				
- third parties	7,335	4,631	2,541	2,044
- related parties	21,754	10,743	21,721	10,743
- goods and services tax recoverable	13,036	7,270	2,907	3,168
	<u>42,125</u>	<u>22,644</u>	<u>27,169</u>	<u>15,955</u>
Deposits	48,025	68,359	486	20,327
Prepayments	7,865	5,414	3,502	3,411
	<u>98,015</u>	<u>96,417</u>	<u>31,157</u>	<u>39,693</u>
Less: Allowance for impairment losses	(105)	(105)	(79)	(79)
	<u>97,910</u>	<u>96,312</u>	<u>31,078</u>	<u>39,614</u>
Allowance for impairment losses:-				
At 1 August/31 July	<u>105</u>	<u>105</u>	<u>79</u>	<u>79</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

- (a) The amount owing by related parties is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.
- (b) The deposits of the Group and of the Company include the followings:-

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits for:-				
- purchase of machinery	2,209	20,180	180	20,180
- acquisition of an oil palm plantation estate (Note 38)	10,500	10,500	-	-
- use of land for plantation	30,000	30,000	-	-
- others	5,316	7,679	306	147
	<u>48,025</u>	<u>68,359</u>	<u>486</u>	<u>20,327</u>

### 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 2.70% to 3.25% (2017: 2.50% to 3.31%) per annum and 2.50% to 3.00% (2017: 2.50% to 3.31%) per annum respectively.
- (b) Included in the deposits with licensed banks of the Group and of the Company at the end of the reporting period are RM1,020,000 (2017: RM982,000) and RM389,000 (2017: RM369,000) respectively, which are pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 23 to the financial statements.

### 20. SHARE CAPITAL

	The Group/The Company			
	2018 Number of Shares ('000)	2017	2018 RM'000	2017 RM'000
<b>Issued and Fully Paid-up</b>				
<i>Ordinary Shares</i>				
At 1 August	209,000	209,000	268,680	209,000
Transfer from share premium account	-	-	-	59,680
At 31 July	<u>209,000</u>	<u>209,000</u>	<u>268,680</u>	<u>268,680</u>

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 21. TREASURY SHARES

During the financial year, the Company:-

- (a) resold 100 of its issued ordinary shares held as treasury shares in the open market at an average price of RM1.36 per ordinary share; and
- (b) purchased 1,500 of its issued ordinary shares from the open market at an average price of RM0.96 per ordinary share. The total consideration paid for the purchase was RM1,518 including transaction costs. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016.

Of the total 209,000,000 issued and fully paid-up ordinary shares at the end of the reporting period, 20,881,700 (2017: 20,880,300) ordinary shares are held as treasury shares by the Company.

### 22. RESERVES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable:-				
- fair value reserve	(35,844)	(28,032)	(35,844)	(28,032)
Distributable:-				
- retained profits	423,932	443,042	469,005	451,290
	<u>388,088</u>	<u>415,010</u>	<u>433,161</u>	<u>423,258</u>

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Long-term borrowings:-				
- hire purchase obligations (Note 24)	9,322	12,592	17	560
- term loans, secured	72,918	80,314	1,476	-
	<u>82,240</u>	<u>92,906</u>	<u>1,493</u>	<u>560</u>
Short-term borrowings:-				
- bank overdrafts, secured	792	-	-	-
- bank overdrafts, unsecured	109	-	109	-
- bankers' acceptance, unsecured	48,431	45,421	-	-
- hire purchase obligations (Note 24)	6,485	17,189	541	10,058
- revolving credit, secured	78,000	72,000	-	-
- revolving credit, unsecured	314,500	264,500	228,000	193,000
- term loans, secured	13,032	14,118	341	-
- term loans, unsecured	-	1,400	-	-
	<u>461,349</u>	<u>414,628</u>	<u>228,991</u>	<u>203,058</u>
Total borrowings	<u>543,589</u>	<u>507,534</u>	<u>230,484</u>	<u>203,618</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 23. BANK BORROWINGS (CONT'D)

The term loans are repayable as follows:-

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Current</u>				
- not later than 1 year	13,032	15,518	341	-
<u>Non-current</u>				
- later than 1 year and not later than 2 years	13,826	12,614	394	-
- later than 2 years and not later than 5 years	48,478	44,900	1,082	-
- later than 5 years	10,614	22,800	-	-
	72,918	80,314	1,476	-
	<u>85,950</u>	<u>95,832</u>	<u>1,817</u>	<u>-</u>

The bank borrowings of the Group are secured by:-

- fixed charges over the Company's and certain subsidiaries' 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 bank overdrafts of the Group and of the Company at the end of the reporting period bore effective interest at rate of 7.97% (2017: Nil) and 8.07% (2017: Nil) per annum respectively.

The bankers' acceptance of the Group at the end of the reporting period bore effective interest at rate of 4.22% (2017: 3.98%) per annum.

The revolving credit of the Group and of the Company at the end of the reporting period bore effective interest at rate of 4.89% (2017: 4.61%) and 4.88% (2017: 4.49%) per annum respectively.

The term loans of the Group and of the Company at the end of the reporting period bore effective interest at rate of 5.06% (2017: 4.93%) and 4.95% (2017: Nil) per annum respectively.

### 24. HIRE PURCHASE OBLIGATIONS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Minimum hire purchase payments:-				
- not later than 1 year	7,123	18,208	549	10,278
- later than 1 year and not later than 2 years	5,152	6,609	18	551
- later than 2 years and not later than 5 years	3,589	6,823	-	18
- later than 5 years	1,159	-	-	-
	17,023	31,640	567	10,847
Less: Future finance charges	(1,216)	(1,859)	(9)	(229)
Present value of hire purchase obligations	<u>15,807</u>	<u>29,781</u>	<u>558</u>	<u>10,618</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 24. HIRE PURCHASE OBLIGATIONS (CONT'D)

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Current</u>				
- not later than 1 year	6,485	17,189	541	10,058
<u>Non-current</u>				
- later than 1 year and not later than 2 years	4,802	5,919	17	543
- later than 2 years and not later than 5 years	3,423	6,673	-	17
- later than 5 years	1,097	-	-	-
	9,322	12,592	17	560
	<u>15,807</u>	<u>29,781</u>	<u>558</u>	<u>10,618</u>

- (a) The hire purchase obligations of the Group are secured by the Group's watercrafts, trucks and motor vehicles, and plant and machinery under hire purchase terms as disclosed in Note 6 to the financial statements. The hire purchase arrangements are expiring from 1 to 5 (2017: 1 to 5) years.
- (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 5.05% (2017: 4.93%) and 4.80% (2017: 4.83%) per annum respectively. The interest rates are fixed at the inception of the hire purchase arrangements.

### 25. TRADE PAYABLES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables:-				
- third parties	96,659	85,173	20,370	27,900
- related parties	15,480	25,665	740	11,130
	<u>112,139</u>	<u>110,838</u>	<u>21,110</u>	<u>39,030</u>

The normal trade credit terms granted to the Group range from 30 to 180 (2017: 30 to 180) days.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 26. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other payables:-				
- third parties	9,468	11,560	1,711	2,533
- related parties	626	3,035	141	2,464
	10,094	14,595	1,852	4,997
Deposits	1,325	1,830	10	10
Accruals	8,907	19,673	6,058	10,453
	<u>20,326</u>	<u>36,098</u>	<u>7,920</u>	<u>15,460</u>

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

### 27. REVENUE

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Dividend income	-	-	45,200	47,850
Contract fee from timber extraction and reforestation	17,195	45,160	-	349
Management fee income	-	-	12,204	1,160
Sale of bottled water	3,746	1,728	-	-
Sale of charcoal	5,044	14,710	-	-
Sale of fertilisers	909	953	-	-
Sale of fresh fruit bunches	101,747	89,560	-	-
Sale of logs	29,003	100,237	66,550	176,299
Sale of plywood	69,596	127,433	-	-
Sale of raw and laminated particleboard	60,109	65,036	-	-
Sale of sawn timber, finger-joint moulding and by-products	33,286	43,361	-	-
Others	1,528	4,458	-	-
	<u>322,163</u>	<u>492,636</u>	<u>123,954</u>	<u>225,658</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 28. FINANCE COSTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense on:-				
- bank overdrafts	6	-	5	-
- bankers' acceptance	1,420	1,197	-	47
- hire purchase obligations	1,157	2,345	219	1,553
- revolving credit	17,508	14,112	11,043	10,311
- term loans	4,361	4,405	54	-
	<u>24,452</u>	<u>22,059</u>	<u>11,321</u>	<u>11,911</u>
Less: Amount capitalised under biological assets (Note 10)	(8,063)	(6,315)	-	-
	<u>16,389</u>	<u>15,744</u>	<u>11,321</u>	<u>11,911</u>

### 29. (LOSS)/PROFIT BEFORE TAXATION

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit before taxation is arrived at after charging/(crediting):-				
Allowance for slow-moving inventories	1,066	1,282	251	302
Amortisation of biological assets	6,774	5,981	-	-
Amortisation of intangible assets	-	1,621	-	-
Auditors' remuneration:-				
- audit fee	246	217	55	38
- non-audit fee	5	5	5	5
Bad debts written off	-	3	-	-
Depreciation of property, plant and equipment	35,479	39,662	12,781	15,385
Directors' remuneration (Note 33)	4,089	4,216	4,043	4,172
Dividend income from investment securities:-				
- quoted equity investments in Malaysia	(5)	(18)	(5)	(18)
- quoted equity investments outside Malaysia	(14)	(14)	(14)	(14)
Dividend income from subsidiaries	-	-	(45,200)	(47,850)
Fair value gain on investment properties	(17,293)	(4,595)	-	-
Fair value loss/(gain) on investment securities	37	(13)	37	(13)
Finance costs (Note 28)	16,389	15,744	11,321	11,911
Impairment losses on:-				
- amount owing by subsidiaries (Note 14)	-	-	866	-
- investments in subsidiaries (Note 5)	-	-	18,500	13,500
- property, plant and equipment (Note 6)	5,600	-	-	-
Interest income on:-				
- deposits with licensed banks	(578)	(799)	(268)	(347)
- advances to subsidiaries	-	-	(8,233)	(5,837)
Gain on disposal of property, plant and equipment	(19,582)	(5,758)	(9,033)	(182)
Loss/(gain) on foreign exchange:-				
- realised	2,546	1,897	313	571
- unrealised	322	232	(1)	(7)
	<u>16,389</u>	<u>15,744</u>	<u>11,321</u>	<u>11,911</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 29. (LOSS)/PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit before taxation is arrived at after charging/(crediting) (cont'd):-				
Property, plant and equipment written off	335	68	317	-
Rental expense on:-				
- buildings	176	180	127	159
- display	219	-	-	-
- equipment and vehicles	1,278	499	29	38
- land	837	762	465	526
Rental income on:-				
- buildings	(172)	(132)	(96)	(28)
- equipment	(12)	(14)	(3,058)	(2,785)
- land	(3)	(27)	(120)	(120)
Reversal of write-down of inventories	-	(355)	-	-
Write-down of inventories	7,553	3,622	-	-
Staff costs (including other key management personnel as disclosed in Note 33):-				
- short-term employee benefits	68,453	103,034	19,298	24,876
- defined contribution plans	5,987	7,655	2,292	2,520
	<u>68,453</u>	<u>103,034</u>	<u>19,298</u>	<u>24,876</u>

### 30. INCOME TAX EXPENSE

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax:-				
- current financial year	1,775	1,494	346	-
- under provision in the previous financial year	1,816	504	1,382	-
	<u>3,591</u>	<u>1,998</u>	<u>1,728</u>	<u>-</u>
Real property gain tax	11	-	-	-
	<u>3,602</u>	<u>1,998</u>	<u>1,728</u>	<u>-</u>
Deferred tax (Note 15):-				
- origination and reversal of temporary differences	7,465	17,779	-	-
- under provision in the previous financial year	652	1,438	-	-
	<u>8,117</u>	<u>19,217</u>	<u>-</u>	<u>-</u>
	<u>11,719</u>	<u>21,215</u>	<u>1,728</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 30. INCOME TAX EXPENSE (CONT'D)

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit before taxation	<u>(7,117)</u>	<u>4,755</u>	<u>19,443</u>	<u>13,668</u>
Tax at the statutory tax rate of 24% (2017: 24%)	(1,708)	1,141	4,666	3,280
Tax effects of:-				
Differential in tax rates on fair value adjustments of investment properties	(3,286)	(873)	-	-
Non-taxable income	(10,951)	(11,511)	(10,852)	(11,492)
Non-deductible expenses	17,196	10,598	6,471	4,386
Control transfers	(607)	-	610	-
Real property gain tax	11	-	-	-
Deferred tax assets not recognised during the financial year	9,234	19,664	-	3,847
Utilisation of deferred tax assets previously not recognised	(570)	(19)	(544)	-
Under provision in the previous financial year:-				
- current tax	1,816	504	1,382	-
- deferred tax	652	1,438	-	-
Others	(68)	273	(5)	(21)
Income tax expense for the financial year	<u>11,719</u>	<u>21,215</u>	<u>1,728</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment.

At the end of the reporting period, the Company has unabsorbed capital allowance of approximately RM60,914,000 (2017: RM39,539,000), which is available for offset against future taxable profits of the Company.

### 31. LOSS PER SHARE

	The Group	
	2018 RM'000	2017 RM'000
Loss attributable to owners of the Company (RM'000)	<u>(19,110)</u>	<u>(16,748)</u>
Weighted average number of ordinary shares in issue ('000):-		
Ordinary shares at 1 August	209,000	209,000
Effects of treasury shares held	(20,881)	(20,880)
Weighted average number of ordinary shares at 31 July	<u>188,119</u>	<u>188,120</u>
Basic loss per share (sen)	<u>(10.16)</u>	<u>(8.90)</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 31. LOSS PER SHARE (CONT'D)

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

### 32. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost of property, plant and equipment purchased (Note 6)	28,074	54,219	5,304	5,094
Less: Amount financed through hire purchase (Note (b) below)	(2,210)	(6,521)	-	-
Less: Amount financed through issuance of ordinary shares	(750)	(750)	-	-
	<u>25,114</u>	<u>46,948</u>	<u>5,304</u>	<u>5,094</u>

(b) The reconciliations of liabilities arising from financing activities are as follows:-

The Group	Bankers' Acceptance RM'000	Hire Purchase Obligations RM'000	Revolving Credit RM'000	Term Loans RM'000	Total RM'000
<b>2018</b>					
At 1 August	45,421	29,781	336,500	95,832	507,534
<u>Changes in Financing Cash Flows</u>					
Net of drawdown/ (repayment) of borrowing principal	3,010	-	56,000	-	59,010
Proceeds from drawdown	-	1,426	-	5,850	7,276
Repayment of borrowing principal	-	(17,610)	-	(15,732)	(33,342)
	<u>3,010</u>	<u>(16,184)</u>	<u>56,000</u>	<u>(9,882)</u>	<u>32,944</u>
<u>Non-cash Changes</u>					
New hire purchase (Note (a) above)	-	2,210	-	-	2,210
	<u>-</u>	<u>2,210</u>	<u>-</u>	<u>-</u>	<u>2,210</u>
At 31 July	<u>48,431</u>	<u>15,807</u>	<u>392,500</u>	<u>85,950</u>	<u>542,688</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 32. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (cont'd):-

<b>The Company</b>	Hire Purchase Obligations RM'000	Revolving Credit RM'000	Term Loans RM'000	Total RM'000
<b>2018</b>				
At 1 August	10,618	193,000	-	203,618
<u>Changes in Financing Cash Flows</u>				
Net of drawdown/(repayment) of borrowing principal	-	35,000	-	35,000
Proceeds from drawdown	-	-	2,030	2,030
Repayment of borrowing principal	(10,060)	-	(213)	(10,273)
At 31 July	<u>558</u>	<u>228,000</u>	<u>1,817</u>	<u>230,375</u>

Comparative information is not presented by virtue of the exemption given in FRS 107.

(c) The cash and cash equivalents comprise the following:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b> RM'000	<b>2017</b> RM'000	<b>2018</b> RM'000	<b>2017</b> RM'000
Deposits with licensed banks	4,091	16,003	549	8,293
Cash and bank balances	7,131	12,305	1,149	3,133
Bank overdrafts	(901)	-	(109)	-
	<u>10,321</u>	<u>28,308</u>	<u>1,589</u>	<u>11,426</u>
Less: Deposits pledged to licensed banks (Note 19)	(1,020)	(982)	(389)	(369)
	<u>9,301</u>	<u>27,326</u>	<u>1,200</u>	<u>11,057</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 33. 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.

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

#### (a) Directors

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Directors of the Company</u>				
Short-term employee benefits:-				
- fees	319	319	280	280
- salaries, bonuses and other benefits	3,531	3,465	3,531	3,465
	3,850	3,784	3,811	3,745
Defined contribution plans	221	416	221	416
Benefits-in-kind	11	11	11	11
	<u>4,082</u>	<u>4,211</u>	<u>4,043</u>	<u>4,172</u>
<u>Directors of the Subsidiaries</u>				
Short-term employee benefits:-				
- fees	7	5	-	-
	<u>7</u>	<u>5</u>	<u>-</u>	<u>-</u>
Total directors' remuneration (Note 29)	<u><u>4,089</u></u>	<u><u>4,216</u></u>	<u><u>4,043</u></u>	<u><u>4,172</u></u>

#### (b) Other Key Management Personnel

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits	2,868	2,758	2,868	2,758
Defined contribution plans	336	323	336	323
	<u>3,204</u>	<u>3,081</u>	<u>3,204</u>	<u>3,081</u>
Total compensation for other key management personnel (Note 29)	<u><u>3,204</u></u>	<u><u>3,081</u></u>	<u><u>3,204</u></u>	<u><u>3,081</u></u>

### 34. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 34. RELATED PARTY DISCLOSURES (CONT'D)

#### (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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Subsidiaries</b>				
Sale to subsidiaries:-				
- dividend income	-	-	45,200	47,850
- interest income	-	-	8,233	5,837
- logs	-	-	37,547	76,062
- management fee income	-	-	12,204	1,160
- marketing fee	-	-	168	295
- property, plant and equipment	-	-	13,455	-
- rental income	-	-	3,178	2,785
- waste timber	-	-	143	221
Purchases from subsidiaries:-				
- bottled water	-	-	132	64
- consumable stores	-	-	112	-
- lighting products	-	-	53	99
- logs	-	-	61	16,944
- plywood	-	-	2	6
- property, plant and equipment	-	-	4,752	-
- waste timber	-	-	8	-
Services paid/payable to subsidiaries:-				
- consultancy fee	-	-	674	2,653
- contract fee	-	-	3,934	24,128
- freight and handling charges	-	-	2,693	7,338
- interest expense	-	-	1,102	1,078
- logpond handling charges	-	-	276	2,334
- rental of buildings	-	-	24	24
- rental of vehicles	-	-	8	-
- repairs and maintenance	-	-	5	81
<b>Other Related Parties</b>				
Sale to other related parties:-				
- bottled water	20	42	-	-
- canteen sale	-	27	-	-
- contract income	17,195	48,376	-	-
- fertilisers	604	948	-	-
- fresh fruit bunches	60,766	63,479	-	-
- lighting products	22	17	-	-
- logs	195	605	195	605
- plywood	18	17	-	-
- property, plant and equipment	45	-	-	-
- rental income	16	-	16	-
- sawn timber	18	71	-	-
- towage and handling income	141	528	139	528
- transport subsidy	863	-	-	-
- sundry income	276	335	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 34. 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Other Related Parties (Cont'd)</b>				
Purchases from other related parties:-				
- adhesive materials	18,797	21,435	-	-
- consumable stores	1,942	5,425	54	307
- logs	21,065	57,313	21,065	57,313
- property, plant and equipment	220	2,055	-	-
- veneer	2,617	6,329	-	-
- waste timber	87	17	-	-
Services paid/payable to other related parties:-				
- compensation	525	-	-	-
- freight and handling charges	166	342	29	30
- fresh fruit bunches premium	5,400	2,230	-	-
- logging contract fee	344	585	344	585
- marketing fee	900	900	900	900
- rental of buildings	13	13	13	13
- rental of land	130	130	-	-
- rental of vehicles	-	40	-	-

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

### 35. 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 35. OPERATING SEGMENTS (CONT'D)

- (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.

#### 35.1 BUSINESS SEGMENTS

2018	Timber RM'000	Plantation RM'000	Others RM'000	The Group RM'000
<b>Revenue</b>				
External revenue	214,299	102,655	5,209	322,163
Inter-segment revenue	130,230	35,692	6,217	172,139
	344,529	138,347	11,426	494,302
Consolidation adjustments				(172,139)
Consolidated revenue				322,163
<b>Results</b>				
Segment (loss)/profit before taxation	(46,223)	27,769	11,337	(7,117)
Consolidated adjustments				-
Consolidated loss before taxation				(7,117)
Segment (loss)/profit before taxation includes the followings:-				
Interest income <sup>(1)</sup>	478	74	26	578
Interest expense <sup>(2)</sup>	(13,299)	(2,513)	(577)	(16,389)
Allowance for slow-moving inventories	(1,066)	-	-	(1,066)
Amortisation of biological assets	-	(6,774)	-	(6,774)
Depreciation of property, plant and equipment <sup>(3)</sup>	(29,205)	(3,010)	(3,264)	(35,479)
Fair value loss on investment securities	(37)	-	-	(37)
Fair value gain on investment properties	-	-	17,293	17,293
Gain on disposal of property, plant and equipment	17,288	368	1,926	19,582
Property, plant and equipment written off	(320)	(15)	-	(335)
Unrealised loss on foreign exchange	(322)	-	-	(322)
Write-down of inventories	(7,363)	-	(190)	(7,553)
	(7,363)	(15)	(190)	(7,553)

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 35. OPERATING SEGMENTS (CONT'D)

#### 35.1 BUSINESS SEGMENTS (CONT'D)

2018	Timber RM'000	Plantation RM'000	Others RM'000	The Group RM'000
<b>Assets</b>				
Segment assets	1,449,699	511,008	278,434	2,239,141
Consolidation adjustments				(918,311)
Consolidated total assets				<u>1,320,830</u>
Additions to non-current assets other than financial instruments and deferred tax assets are:-				
Property, plant and equipment <sup>(4)</sup>	8,441	16,764	2,869	28,074
Land held for property development	-	-	191	191
Biological assets <sup>(5)</sup>	-	92,724	-	92,724
<b>Liabilities</b>				
Segment liabilities	697,366	424,460	157,798	1,279,624
Consolidation adjustments				(564,159)
Consolidated total liabilities				<u>715,465</u>
(1) After consolidation adjustments of RM12,430,000.				
(2) After consolidation adjustments of RM12,430,000.				
(3) After consolidation adjustments of RM383,000.				
(4) After consolidation adjustments of RM8,253,000.				
(5) After consolidation adjustments of RM3,522,000.				
2017	Timber RM'000	Plantation RM'000	Others RM'000	The Group RM'000
<b>Revenue</b>				
External revenue	400,826	90,513	1,297	492,636
Inter-segment revenue	82,738	134	13,028	95,900
	<u>483,564</u>	<u>90,647</u>	<u>14,325</u>	<u>588,536</u>
Consolidation adjustments				(95,900)
Consolidated revenue				<u>492,636</u>
<b>Results</b>				
Segment (loss)/profit before taxation	(31,833)	36,692	(104)	4,755
Consolidated adjustments				-
Consolidated profit before taxation				<u>4,755</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 35. OPERATING SEGMENTS (CONT'D)

#### 35.1 BUSINESS SEGMENTS (CONT'D)

2017	Timber RM'000	Plantation RM'000	Others RM'000	The Group RM'000
<b>Results (Cont'd)</b>				
Segment (loss)/profit before taxation includes the followings:-				
Interest income <sup>(1)</sup>	633	137	29	799
Interest expense <sup>(2)</sup>	(14,396)	(791)	(557)	(15,744)
Allowance for slow-moving inventories	(1,282)	-	-	(1,282)
Amortisation of biological assets	-	(5,981)	-	(5,981)
Amortisation of intangible assets <sup>(3)</sup>	-	(1,621)	-	(1,621)
Bad debts written off	-	-	(3)	(3)
Depreciation of property, plant and equipment <sup>(4)</sup>	(34,173)	(1,783)	(3,706)	(39,662)
Fair value gain on investment properties	-	-	4,595	4,595
Fair value gain on investment securities	13	-	-	13
Gain on disposal of property, plant and equipment	5,758	-	-	5,758
Property, plant and equipment written off	(60)	(6)	(2)	(68)
Reversal of inventories written down	355	-	-	355
Unrealised loss on foreign exchange	(232)	-	-	(232)
Write-down of inventories	(3,622)	-	-	(3,622)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>				
Segment assets	1,536,044	414,323	249,231	2,199,598
Consolidation adjustments				(881,149)
Consolidated total assets				<u>1,318,449</u>
Additions to non-current assets other than financial instruments and deferred tax assets are:-				
Property, plant and equipment <sup>(5)</sup>	23,276	23,200	7,743	54,219
Land held for property development	-	-	432	432
Biological assets	15,026	38,956	-	53,982
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Liabilities</b>				
Segment liabilities	747,730	319,491	139,968	1,207,189
Consolidation adjustments				(519,754)
Consolidated total liabilities				<u>687,435</u>

(1) After consolidation adjustments of RM7,864,000.

(2) After consolidation adjustments of RM8,990,000.

(3) After consolidation adjustments of RM1,621,000.

(4) After consolidation adjustments of RM378,000.

(5) After consolidation adjustments of RM13,844,000.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 35. OPERATING SEGMENTS (CONT'D)

#### 35.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments and deferred tax assets.

	Revenue		Non-current Assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	162,555	214,791	1,053,637	989,069
India	23,407	78,205	-	-
South Korea	31,258	44,125	-	-
Taiwan	29,153	36,064	-	-
Yemen	2,827	23,131	-	-
Other countries	72,963	96,320	-	-
	<u>322,163</u>	<u>492,636</u>	<u>1,053,637</u>	<u>989,069</u>

#### 35.3 MAJOR CUSTOMERS

There is no single customer that contributed 10% or more to the Group's revenue.

### 36. CAPITAL COMMITMENTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Purchase of property, plant and equipment	4,203	7,754	-	618
Construction of property, plant and equipment	904	159	-	-
	<u>5,107</u>	<u>7,913</u>	<u>-</u>	<u>618</u>

### 37. 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.

#### 37.1 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 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

##### *Foreign Currency Exposure*

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:-

<b>The Group</b>	United States Dollar RM'000	Euro RM'000	Japanese Yen RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	<b>Total</b> RM'000
<b>2018</b>						
<u>Financial Assets</u>						
Investment securities	-	-	-	4,036	21,285	25,321
Trade receivables	8,166	-	-	-	20,060	28,226
Other receivables and deposits	2,105	396	11	-	74,497	77,009
Deposits with licensed banks	-	-	-	-	4,091	4,091
Cash and bank balances	209	-	-	1	6,921	7,131
	<u>10,480</u>	<u>396</u>	<u>11</u>	<u>4,037</u>	<u>126,854</u>	<u>141,778</u>
<u>Financial Liabilities</u>						
Trade payables	143	93	25	258	111,620	112,139
Other payables, deposits and accruals	1,280	6	355	78	18,607	20,326
Bank borrowings	-	-	-	-	543,589	543,589
	<u>1,423</u>	<u>99</u>	<u>380</u>	<u>336</u>	<u>673,816</u>	<u>676,054</u>
Net financial assets/ (liabilities)	9,057	297	(369)	3,701	(546,962)	(534,276)
Less: Net financial (assets)/ liabilities denominated in the Company's functional currency	-	-	-	-	546,962	546,962
Currency Exposure	<u>9,057</u>	<u>297</u>	<u>(369)</u>	<u>3,701</u>	<u>-</u>	<u>12,686</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

##### *Foreign Currency Exposure (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):-

<b>The Group</b>	United States Dollar RM'000	Euro RM'000	Japanese Yen RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	<b>Total</b> RM'000
<b>2017</b>						
<u>Financial Assets</u>						
Investment securities	-	-	-	3,665	29,491	33,156
Trade receivables	13,638	-	-	-	35,097	48,735
Other receivables and deposits	717	-	-	-	82,911	83,628
Deposits with licensed banks	-	-	-	-	16,003	16,003
Cash and bank balances	374	-	-	784	11,147	12,305
	<u>14,729</u>	<u>-</u>	<u>-</u>	<u>4,449</u>	<u>174,649</u>	<u>193,827</u>
<u>Financial Liabilities</u>						
Trade payables	570	30	25	493	109,720	110,838
Other payables, deposits and accruals	1,260	7	32	-	34,799	36,098
Bank borrowings	-	-	-	-	507,534	507,534
	<u>1,830</u>	<u>37</u>	<u>57</u>	<u>493</u>	<u>652,053</u>	<u>654,470</u>
Net financial assets/ (liabilities)	12,899	(37)	(57)	3,956	(477,404)	(460,643)
Less: Net financial (assets)/ liabilities denominated in the Company's functional currency	-	-	-	-	477,404	477,404
Currency Exposure	<u>12,899</u>	<u>(37)</u>	<u>(57)</u>	<u>3,956</u>	<u>-</u>	<u>16,761</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

##### *Foreign Currency Exposure (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		Singapore	Ringgit	Total
	Dollar RM'000	Euro RM'000	Dollar RM'000	Malaysia RM'000	
<b>2018</b>					
<u>Financial Assets</u>					
Investment securities	-	-	4,036	21,285	25,321
Trade receivables	-	-	-	3,354	3,354
Other receivables and deposits	-	-	-	24,669	24,669
Amount owing by subsidiaries	-	-	664	349,317	349,981
Deposits with licensed banks	-	-	-	549	549
Cash and bank balances	67	-	-	1,082	1,149
	<u>67</u>	<u>-</u>	<u>4,700</u>	<u>400,256</u>	<u>405,023</u>
<u>Financial Liabilities</u>					
Trade payables	-	-	-	21,110	21,110
Other payables, deposits and accruals	50	6	-	7,864	7,920
Amount owing to subsidiaries	-	-	-	58,110	58,110
Bank borrowings	-	-	-	230,484	230,484
	<u>50</u>	<u>6</u>	<u>-</u>	<u>317,568</u>	<u>317,624</u>
Net financial assets/(liabilities)	17	(6)	4,700	82,688	87,399
Less: Net financial (assets)/ liabilities denominated in the Company's functional currency	-	-	-	(82,688)	(82,688)
Currency Exposure	<u>17</u>	<u>(6)</u>	<u>4,700</u>	<u>-</u>	<u>4,711</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

##### *Foreign Currency Exposure (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		Singapore	Ringgit	Total
	Dollar RM'000	Euro RM'000	Dollar RM'000	Malaysia RM'000	
<b>2017</b>					
<u>Financial Assets</u>					
Investment securities	-	-	3,665	29,491	33,156
Trade receivables	9,293	-	-	1,675	10,968
Other receivables and deposits	-	-	-	33,035	33,035
Amount owing by subsidiaries	-	-	965	292,616	293,581
Deposits with licensed banks	-	-	-	8,293	8,293
Cash and bank balances	78	-	784	2,271	3,133
	<u>9,371</u>	<u>-</u>	<u>5,414</u>	<u>367,381</u>	<u>382,166</u>
<u>Financial Liabilities</u>					
Trade payables	-	-	-	39,030	39,030
Other payables, deposits and accruals	4	7	-	15,449	15,460
Amount owing to subsidiaries	-	-	-	97,963	97,963
Bank borrowings	-	-	-	203,618	203,618
	<u>4</u>	<u>7</u>	<u>-</u>	<u>356,060</u>	<u>356,071</u>
Net financial assets/(liabilities)	9,367	(7)	5,414	11,321	26,095
Less: Net financial (assets)/ liabilities denominated in the Company's functional currency	-	-	-	(11,321)	(11,321)
Currency Exposure	<u>9,367</u>	<u>(7)</u>	<u>5,414</u>	<u>-</u>	<u>14,774</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Effects on Profit After Taxation</b>				
USD/RM - strengthened by 5% (2017: 5%)	+ 344	+ 490	+ 1	+ 356
- weakened by 5% (2017: 5%)	- 344	- 490	- 1	- 356
EUR/RM - strengthened by 5% (2017: 5%)	+ 11	- 1	-	-
- weakened by 5% (2017: 5%)	- 11	+ 1	-	-
JPY/RM - strengthened by 5% (2017: 5%)	- 14	- 2	-	-
- weakened by 5% (2017: 5%)	+ 14	+ 2	-	-
SGD/RM - strengthened by 5% (2017: 5%)	+ 141	+ 150	+ 179	+ 206
- weakened by 5% (2017: 5%)	- 141	- 150	- 179	- 206
<b>Effects on Equity</b>				
USD/RM - strengthened by 5% (2017: 5%)	+ 344	+ 490	+ 1	+ 356
- weakened by 5% (2017: 5%)	- 344	- 490	- 1	- 356
EUR/RM - strengthened by 5% (2017: 5%)	+ 11	- 1	-	-
- weakened by 5% (2017: 5%)	- 11	+ 1	-	-
JPY/RM - strengthened by 5% (2017: 5%)	- 14	- 2	-	-
- weakened by % (2017: 5%)	+ 14	+ 2	-	-
SGD/RM - strengthened by 5% (2017: 5%)	+ 141	+ 150	+ 179	+ 206
- weakened by 5% (2017: 5%)	- 141	- 150	- 179	- 206

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (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 deposits with licensed banks and 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.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 23 to the financial statements.

##### *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		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Effects on Profit After Taxation</b>				
Increase of 50 (2017: 50) basis points	- 327	- 364	- 7	-
Decrease of 50 (2017: 50) basis points	+ 327	+ 364	+ 7	-
<b>Effects on Equity</b>				
Increase of 50 (2017: 50) basis points	- 327	- 364	- 7	-
Decrease of 50 (2017: 50) basis points	+ 327	+ 364	+ 7	-

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (iii) Equity Price Risk (Cont'd)

##### *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:-

	<b>The Group/The Company</b>	
	<b>2018</b>	<b>2017</b>
	RM'000	RM'000
<b>Effects on Other Comprehensive Income</b>		
Increase of 10% (2017: 10%)	+ 1,896	+ 2,678
Decrease of 10% (2017: 10%)	- 1,896	- 2,678
	<u>          </u>	<u>          </u>

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.

##### (b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from 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 Groups 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 corporate guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these 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 6 customers which constituted approximately 55% of its trade receivables (including related parties) at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (b) Credit Risk (Cont'd)

##### (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.

##### (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
<b>The Group</b>			
<b>2018</b>			
Not past due	14,633	-	14,633
Past due:-			
- less than 1 month	4,253	-	4,253
- 1 to 2 months	1,109	-	1,109
- 2 to 3 months	817	-	817
- 3 to 4 months	103	-	103
- more than 4 months	9,063	(1,752)	7,311
	<u>29,978</u>	<u>(1,752)</u>	<u>28,226</u>
<b>2017</b>			
Not past due	24,523	-	24,523
Past due:-			
- less than 1 month	1,508	-	1,508
- 1 to 2 months	2,569	-	2,569
- 2 to 3 months	3,054	-	3,054
- 3 to 4 months	3,479	-	3,479
- more than 4 months	15,354	(1,752)	13,602
	<u>50,487</u>	<u>(1,752)</u>	<u>48,735</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 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
<b>The Company</b>			
<b>2018</b>			
Not past due	589	-	589
Past due:-			
- less than 1 month	1,179	-	1,179
- 1 to 2 months	24	-	24
- 2 to 3 months	8	-	8
- 3 to 4 months	75	-	75
- more than 4 months	1,497	(18)	1,479
	<u>3,372</u>	<u>(18)</u>	<u>3,354</u>
<b>2017</b>			
Not past due	9,558	-	9,558
Past due:-			
- less than 1 month	50	-	50
- 1 to 2 months	21	-	21
- 2 to 3 months	53	-	53
- 3 to 4 months	8	-	8
- more than 4 months	1,296	(18)	1,278
	<u>10,986</u>	<u>(18)</u>	<u>10,968</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 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 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):-

	Weighted Average Effective Interest 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
<b>The Group</b>							
<b>2018</b>							
Trade and other payables	-	132,465	132,465	132,465	-	-	-
Bank borrowings:-							
- bank overdrafts	7.97	901	901	901	-	-	-
- bankers' acceptance	4.22	48,431	48,431	48,431	-	-	-
- hire purchase obligations	5.05	15,807	17,023	7,123	5,152	3,589	1,159
- revolving credit	4.89	392,500	392,500	392,500	-	-	-
- term loans	5.06	85,950	100,869	16,948	17,262	54,139	12,520
		<u>676,054</u>	<u>692,189</u>	<u>598,368</u>	<u>22,414</u>	<u>57,728</u>	<u>13,679</u>
<b>2017</b>							
Trade and other payables	-	146,936	146,936	146,936	-	-	-
Bank borrowings:-							
- bankers' acceptance	3.98	45,421	45,421	45,421	-	-	-
- hire purchase obligations	4.93	29,781	31,640	18,208	6,609	6,823	-
- revolving credit	4.61	336,500	336,500	336,500	-	-	-
- term loans	4.93	95,832	112,406	19,764	16,264	52,017	24,361
		<u>654,470</u>	<u>672,903</u>	<u>566,829</u>	<u>22,873</u>	<u>58,840</u>	<u>24,361</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 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 Interest 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
<b>2018</b>						
Trade and other payables	-	87,140	87,140	87,140	-	-
Bank borrowings:-						
- bank overdrafts	8.07	109	109	109	-	-
- hire purchase obligations	4.80	558	567	549	18	-
- revolving credit	4.88	228,000	228,000	228,000	-	-
- term loans	4.95	1,817	2,034	422	459	1,153
Financial guarantee contracts in relation corporate guarantee given to certain subsidiaries*	-	-	23,598	23,598	-	-
		<u>317,624</u>	<u>341,448</u>	<u>339,818</u>	<u>477</u>	<u>1,153</u>
<b>2017</b>						
Trade and other payables	-	152,453	152,453	152,453	-	-
Bank borrowings:-						
- hire purchase obligations	4.83	10,618	10,847	10,278	551	18
- revolving credit	4.49	193,000	193,000	193,000	-	-
Financial guarantee contracts in relation corporate guarantee given to certain subsidiaries*	-	-	27,715	27,715	-	-
		<u>356,071</u>	<u>384,015</u>	<u>383,446</u>	<u>551</u>	<u>18</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (c) Liquidity Risk (Cont'd)

##### *Maturity Analysis (Cont'd)*

- \* 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 were not material.

#### 37.2 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 parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2018 RM'000	2017 RM'000
Bank borrowings	543,589	507,534
Less: Deposits with licensed banks	(4,091)	(16,003)
Less: Cash and bank balances	(7,131)	(12,305)
Net debt	532,367	479,226
Total equity	605,365	631,014
Debt-to-equity ratio	0.88	0.76

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

#### 37.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Financial Assets</b>				
<u>Measured at Amortised Cost</u>				
Trade receivables	28,226	48,735	3,354	10,968
Other receivables and deposits	77,009	83,628	24,669	33,035
Amount owing by subsidiaries	-	-	349,981	293,581
Deposits with licensed banks	4,091	16,003	549	8,293
Cash and bank balances	7,131	12,305	1,149	3,133
	116,457	160,671	379,702	349,010

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'00
<b>Financial Assets (cont'd)</b>				
<u>Measured at Fair Value through Other Comprehensive Income</u>				
Investment securities - equity instruments	24,964	32,777	24,964	32,777
<u>Measured at Fair Value through Profit or Loss</u>				
Investment securities - debt instruments	357	379	357	379
<b>Financial Liabilities</b>				
<u>Measured at Amortised Cost</u>				
Trade payables	112,139	110,838	21,110	39,030
Other payables, deposits and accruals	20,326	36,098	7,920	15,460
Amount owing to subsidiaries	-	-	58,110	97,963
Bank borrowings	543,589	507,534	230,484	203,618
	676,054	654,470	317,624	356,071

#### 37.4 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 or repayable on demand terms.

The fair value of the Group's investment in unquoted shares with carrying amount of RM6,000,000 (2017: 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 2018**

**37. FINANCIAL INSTRUMENTS (CONT'D)**

**37.4 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	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>2018</b>								
<u>Financial Assets</u>								
Investment securities - quoted investments	19,321	-	-	-	-	-	19,321	19,321
<u>Financial Liabilities</u>								
Hire purchase obligations	-	-	-	-	15,650	-	15,650	15,807
<b>2017</b>								
<u>Financial Assets</u>								
Investment securities - quoted investments	27,156	-	-	-	-	-	27,156	27,156
<u>Financial Liabilities</u>								
Hire purchase obligations	-	-	-	-	29,766	-	29,766	29,781

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.4 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	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>2018</b>								
<u>Financial Assets</u>								
Investment securities - quoted investments	19,321	-	-	-	-	-	19,321	19,321
<u>Financial Liabilities</u>								
Hire purchase obligations	-	-	-	-	553	-	553	558
<b>2017</b>								
<u>Financial Assets</u>								
Investment securities - quoted investments	27,156	-	-	-	-	-	27,156	27,156
<u>Financial Liabilities</u>								
Hire purchase obligations	-	-	-	-	10,604	-	10,604	10,618

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### 37.4 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 transfers 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 future contractual 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	
	2018 %	2017 %	2018 %	2017 %
Hire purchase obligations	<u>5.51</u>	<u>5.03</u>	<u>5.76</u>	<u>5.03</u>

- (ii) The fair value of terms loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

### 38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND OCCURRING AFTER THE REPORTING PERIOD

On 22 February 2017, Tiasa Mesra Sdn. Bhd. ("TMSB"), a wholly-owned subsidiary of the Company, entered into a conditional agreement with Rimbunan Sawit Berhad ("RSB") to acquire all the rights, titles and interests in relation to an oil palm plantation estate via an absolute assignment, development costs, biological assets, commercial rights and all the fixtures and fittings relating thereto ("Proposed Acquisition") for a purchase consideration of RM150.0 million to be satisfied in cash.

The Proposed Acquisition is conditional upon the fulfilment of the followings:-

- (a) RSB obtaining the approval of the Director of Forests and/or the Minister for the absolute assignment of the rights to and in favour of TMSB and to the form and content of the assignment.

The Director of Forests had, via a letter dated 6 July 2018, accepted and approved the form and content of the deed of transfer to be executed between RSB and TMSB for the transfer of the rights in place of a proposed deed of assignment, pursuant to the approval of the Minister on the application for absolute assignment of the rights from RSB to TMSB.

- (b) RSB settling all its existing liabilities owing to trade payables for the development of the oil palm plantation under the rights.

RSB had, via its letter dated 26 July 2018, confirmed that it had settled all its existing liabilities owing to trade payables for the development of the oil palm plantation under the rights.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 JULY 2018

### 38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND OCCURRING AFTER THE REPORTING PERIOD (CONT'D)

The Proposed Acquisition is conditional upon the fulfilment of the followings (cont'd):-

- (c) RSB procuring a redemption statement cum letter of undertaking from its financier addressed to the financier of TMSB on the redemption sum payable to settle the credit facilities granted by it inter alia, for the development of the oil palm plantation under the rights.

RSB had, on 12 July 2018, received the redemption statement cum letter of undertaking from its financier addressed to the financier of TMSB on the redemption sum payable to settle the credit facilities granted by it inter alia, for the development of the oil palm plantation under the rights.

With the fulfilment of the above conditions, TMSB was required to pay the balance of the consideration of RM135.0 million ("Balance Sum") to RSB within 2 months from 26 July 2018, which was further extended to 25 October 2018. The Balance Sum was paid on 25 October 2018 to RSB, and the Proposed Acquisition was completed on the same date.



## LIST OF PROPERTIES As at 31 July 2018

Location	Tenure	Land Area (Hectares)	Existing Use	Approximate Age of Building	Carrying Amount as at 31.07.2018 (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	6 - 29 years	48,839	31.03.1989 - 30.12.1994
Lot 11726, Block 16, Kuching Central Land District	Leasehold land expiring on 31.12.2025	2.261	Vacant	-	22,360	05.06.2006
Industrial Land at Lot 400, Blk 38 Kemena Land, Bintulu	Leasehold land expiring on 15.09.2057	12.672	Factory, office, welfare building	22 years	21,238	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	6 - 12 years	16,449	30.09.2004
Lot 96, Block 16, Seduan Land District	Leasehold land expiring on 31.12.2031	2.135	Factory	2 years	16,441	31.10.2015
Lot 854-866, Block 10, Sibü Town District	Leasehold land expiring on 06.09.2071	0.212	Office building	17 years	13,021	01.06.2001
Lot 69, Block 12, Buan Land District	Leasehold land expiring on 01.08.2051	12.013	Factory	5 years	10,917	24.06.2013
Lot 1459, Block 16, Kuching Central Land District	Leasehold land expiring on 31.12.2027	0.977	Vacant	-	10,591	23.11.2012
Lot 57, Block 233, Kuching North Land District	Leasehold land expiring on 31.12.2038	5.536	Vacant	-	9,576	31.08.2013
Lot 232, Block 11, Muara Tebas Land District	Leasehold land expiring on 31.12.2035	1.153	Vacant	-	9,405	30.01.2013

## ANALYSIS OF SHAREHOLDINGS

### As at 24 October 2018

#### Share Capital

Issued Share Capital	:	RM209,000,000.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) vote per Ordinary Share

#### Distribution schedule of ordinary shares

No. of Holders	Holdings	Total Holdings	%
112	less than 100 shares	3,755	0.00 <sup>1</sup>
173	100 to 1,000 shares	124,245	0.07
2,360	1,001 to 10,000 shares	5,888,130	3.13
259	10,001 to 100,000 shares	7,238,652	3.85
49	100,001 to less than 5% of issued shares	71,318,822	37.91
5	5% and above of issued shares	103,542,796	55.04
2,958		188,116,400 <sup>2</sup>	100.00

1 Less than 0.01%

2 Excluding 20,883,600 ordinary shares bought back by the Company and retained as treasury shares based on Record of Depositors as at 24 October 2018

## LIST OF SUBSTANTIAL SHAREHOLDERS

### As at 24 October 2018

Name	No. of Ordinary Shares	
	Direct Interest	Indirect Interest
1. Tiong Toh Siong Holdings Sdn. Bhd.	61,950,021 (32.93%*)	3,507,012 <sup>1</sup> (1.86%*)
2. Kinta Hijau Sdn. Bhd.	16,937,532 (9.00%*)	-
3. Raya Abadi Sdn. Bhd.	16,575,033 (8.81%*)	-
4. YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	1,109,120 (0.59%*)	71,187,010 <sup>2</sup> (37.84%*)

- 1 Deemed interested by virtue of its substantial shareholdings in Tiong Toh Siong & Sons Sdn. Bhd.
- 2 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 20,883,600 ordinary shares bought back by the Company and retained as treasury shares as at 24 October 2018

## DIRECTORS' INTERESTS

### As at 24 October 2018

Name	No. of Ordinary Shares Held in the Company			
	Direct Interest	%	Indirect Interest	%
1. Mr. Tiong Kiong King	1,250,543	0.66	-	-
2. YBhg. Dato' Tiong Ing	1,787,013	0.95	570,675 <sup>1</sup>	0.30
3. Mdm. 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 8 of the Companies Act 2016.

#### Notes :

- 1 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 20,883,600 ordinary shares bought back by the Company and retained as treasury shares as at 24 October 2018

## LIST OF THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS As at 24 October 2018

	Names	No. of ordinary shares	Percentage (%*)
1.	Tiong Toh Siong Holdings Sdn Bhd	31,450,021	16.72
2.	RHB Nominees (Tempatan) Sdn Bhd - Bank of China (Malaysia) Berhad Pledged Securities Account For Tiong Toh Siong Holdings Sdn Bhd	29,000,000	15.42
3.	Kinta Hijau Sdn Bhd	16,937,532	9.00
4.	Raya Abadi Sdn Bhd	16,575,033	8.81
5.	DB (Malaysia) Nominee (Asing) Sdn Bhd - Exempt An For Bank Of Singapore Limited	9,580,210	5.09
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.	Insan Anggun Sdn Bhd	6,800,000	3.61
10.	HSBC Nominees (Asing) Sdn Bhd - Exempt An For Credit Suisse (SG BR-TST-ASING)	4,689,510	2.49
11.	Globegate Alliance Sdn Bhd	3,673,950	1.95
12.	Tiong Toh Siong & Sons Sdn Bhd	3,507,012	1.86
13.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Teck Sing Lik Enterprise Sdn Bhd (OCESB)	3,100,000	1.65
14.	Serrano Group Limited	2,639,490	1.40
15.	CIMB Group Nominees (Asing) Sdn Bhd - Exempt An For DBS Bank Ltd (SFS)	2,325,000	1.24
16.	Neoh Choo Ee & Company Sdn Bhd	1,851,900	0.98
17.	Teck Sing Lik Enterprise Sdn Bhd	1,579,977	0.84
18.	UOBM Nominee (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 Resource Inc.	1,449,200	0.77
21.	Dato' Tiong Ing	1,211,233	0.64
22.	Nustinas Sdn Bhd	1,195,950	0.64
23.	AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Tiong Kiong King	1,193,873	0.63
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.	Dato' Tiong Ing	541,235	0.29
28.	Cartaban Nominees (Tempatan) Sdn Bhd - AXA Affin General Insurance Berhad	505,000	0.27
29.	Dynaquest Sdn Bhd	460,000	0.24
30.	Loh Man Dee	400,000	0.21
	<b>Total</b>	<b>170,347,368</b>	<b>90.55</b>

\* Excluding 20,883,600 ordinary shares bought back by the Company and retained as treasury shares based on the Record of Depositors as at 24 October 2018

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-Third Annual General Meeting of Subur Tiasa Holdings Berhad (“Subur” or “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 Friday, 21 December 2018 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 2018 together with the Reports of the Directors and Auditors thereon.                           | <b>[Please refer to Explanatory Note (a)]</b> |
| 2. | To approve the payment of directors’ fees of RM280,000 for the financial year ended 31 July 2018.  | <b>Resolution 1</b>                           |
| 3. | To re-elect Mr. Tiong Ing Ming who retires in accordance with Article 86 of the Company’s Articles of Association and being eligible, offers himself for re-election.            | <b>Resolution 2</b>                           |
| 4. | To re-appoint Messrs. Crowe Malaysia as the Company’s auditors until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. | <b>Resolution 3</b>                           |

#### As Special Business

- |    |   |                     |
|----|---|---------------------|
| 5. | To consider and, if thought fit, pass the following ordinary resolution:<br><br><b>Continuation in office as Independent Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017</b>   | <b>Resolution 4</b> |
|    | “THAT approval be and is hereby given to Mdm. Ngu Ying Ping who has served as an Independent Director of the Company for a consecutive term of more than nine (9) years, to continue in office as an Independent Director of the Company.”  |                     |
| 6. | To consider and, if thought fit, pass the following ordinary resolution:<br><br><b>Proposed renewal of authority for purchase of own shares by the Company</b>  | <b>Resolution 5</b> |
|    | “THAT, subject always to the Companies Act 2016 (as may be amended, modified or re-enacted from time to time) (“the 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, where applicable, the Company be hereby unconditionally and generally authorised to purchase and/or hold such an amount of ordinary shares (“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 number of issued shares of the Company for the time being and an amount of funds not exceeding the Company’s total retained profits 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 and are 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 authorities;   |                     |

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

AND FURTHER THAT the authority hereby given will commence immediately upon the passing of this resolution and will continue to be in force until:

- (a) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next annual general meeting 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 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 23 November 2018 (“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 340(1) and 340(2) of the Companies Act 2016 (“Act”) [but must not extend to such extension as may be allowed pursuant to Section 340(4) 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 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 2016 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 : 23 November 2018  
Sibu, Sarawak

### Explanatory Notes

- (a) ***This agenda item is meant for discussion only and therefore, it will not be put forward for voting.***
- (b) ***Ordinary resolution in relation to the re-election of Independent director (proposed Resolution 2)***  
*The Nomination Committee and the Board of Directors have assessed the independence of Mr. Tiong Ing Ming and recommended him to be re-elected as the Director of the Company.*
- (c) ***Ordinary resolution in relation to continuation in office as Independent Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017 (proposed Resolution 4)***  
*The proposed Resolution No. 4 is to seek shareholders' approval to retain Mdm. Ngu Ying Ping, whose tenure as Independent Director of the Company has exceeded tenure limit of nine (9) years. The Board of Directors ("Board") and the Nominating Committee have assessed her and thereby recommended that she continues in office as an Independent Director of the Company based on the following justifications:*
- i) her experience, networking, understanding of business and objectivity in approach enables her to provide the Board and Board Committees with pertinent expertise, skills and competence and her independent judgement will continue to add credence to the Company;*
  - ii) she remains professionally independent and vocal, actively participated in deliberations and exercised independent judgement at Board and Board Committee meetings without being influenced by operational consideration; and*
  - iii) she acts in the best interests of all shareholders and her continuation in office as Independent Director will provide a check and balance to operational management.*
- (d) ***Ordinary resolution on proposed renewal of authority for purchase of own shares by the Company (proposed Resolution 5)***  
*The proposed Resolution No. 5, if passed, will renew the authority for the Company to purchase and/or hold up to ten per cent (10%) of the total number of issued shares of the Company through Bursa Malaysia Securities Berhad. This authority will expire at the conclusion of the next annual general meeting, unless revoked or varied by ordinary resolution passed by shareholders at general meeting.*
- Please refer to the Statement to Shareholders dated 23 November 2018 for further information.*
- (e) ***Ordinary resolution on Shareholder Mandate for recurrent related party transactions (proposed Resolution 6)***  
*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 23 November 2018 ("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.*

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

*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.*

### Notes:

1. A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, speak and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.
2. A member entitled to attend, speak and vote at this Annual General Meeting shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting. 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.
3. If the appointor is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized.
4. 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.
5. The Form of Proxy 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 set for holding the meeting or any adjournment thereof.
6. A depositor whose name appears in the Record of Depositors as at 17 December 2018 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.



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# Subur Tiasa Holdings Berhad

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

CDS Account no.	
Number of shares held	

## PROXY FORM

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-Third 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 Friday, 21 December 2018 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 2018.		
2.	To re-elect Mr. Tiong Ing Ming as Director.		
3.	To re-appoint Messrs. Crowe Malaysia as auditors.		
4.	To retain Mdm. Ngu Ying Ping as an Independent Director.		
5.	Proposed renewal of authority for purchase of own shares by the Company.		
6.	Proposed renewal of shareholder mandate for recurrent related party transactions of a revenue or trading nature.		

The proportions of \*my/our holdings to be presented by my \*proxy/our proxies are as follows:

Proxy 1	%
Proxy 2	%
Total	100%

Dated this ..... day of ..... 2018

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

### Notes :

1. A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, speak and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.
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3. If the appointor is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized.
4. 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.
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6. A depositor whose name appears in the Record of Depositors as at 17 December 2018 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.

*1<sup>st</sup> fold here*

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

*2<sup>nd</sup> fold here*



No. 66-78, Pusat Suria Permata, Jalan Upper Lanang,  
C.D.T. 123, 96000 Sibu, Sarawak, Malaysia.

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