

50th

A N N I V E R S A R Y

Annual Report
2017

The Road to Success

Our leadership position in our core businesses supported by financial strength puts us in good stead to achieve greater heights in the future.

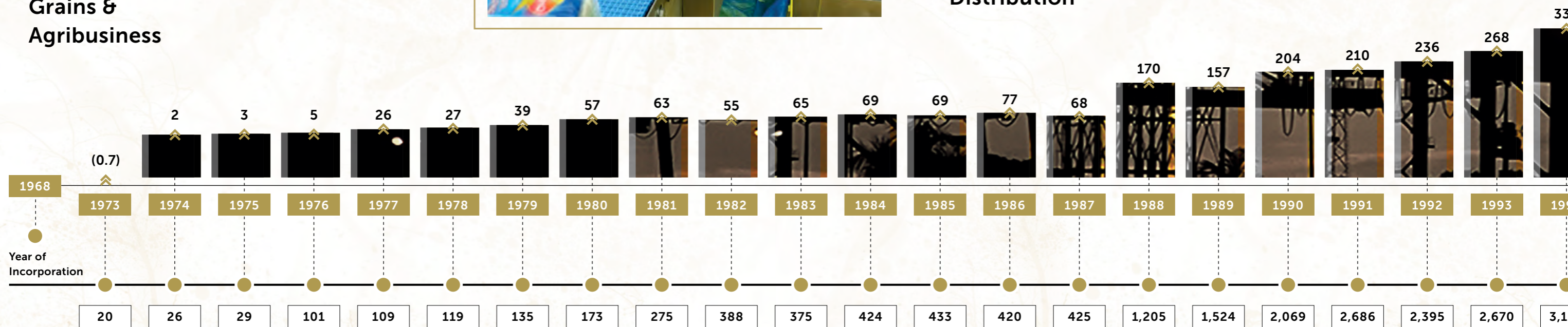


Grains & Agribusiness

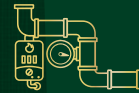
Consumer Products



Film Exhibition & Distribution



50 Golden Years of



EXCELLENCE

REACHING GREATER HEIGHTS

ANNIVERSARY

The Road to Success

Our leadership position in our core businesses supported by financial strength puts us in good stead to achieve greater heights in the future.

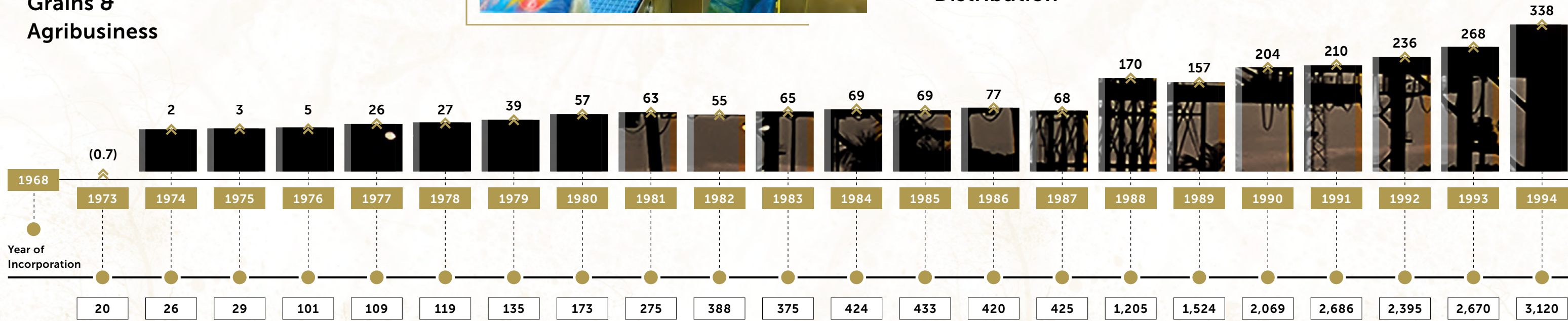


Grains & Agribusiness

Consumer Products



Film Exhibition & Distribution



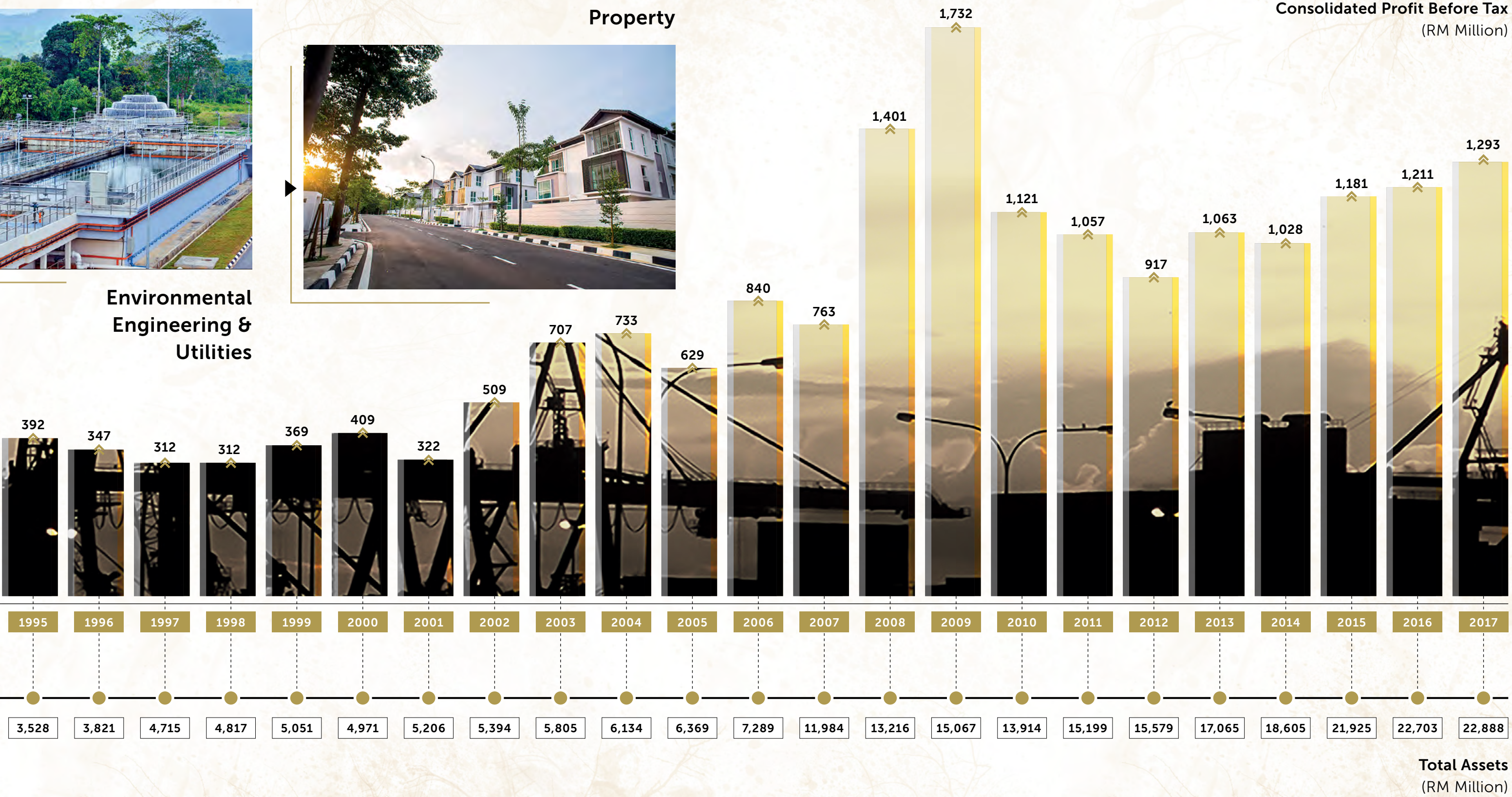


**Environmental
Engineering &
Utilities**



Property

**Consolidated Profit Before Tax
(RM Million)**



**Total Assets
(RM Million)**



*Journey through
the years*



1960s

The Milestones of PPB Group Berhad

The beginning of PPB Group Berhad

In **1968**...



Perlis Plantations Berhad ("PPB") was incorporated on 1 November 1968, to undertake large scale cultivation and milling of sugar cane in Chuping, Perlis in response to the Government's wish to establish a local sugar industry.



1969

The Federal Land Development Authority (FELDA) and PPB were each alienated about 4,450 hectares of land for the sugar project and the parties established a 50:50 joint venture sugar cane mill and refinery under Kilang Gula Felda Perlis Sdn Bhd to process the cane from the two plantations.





1970s

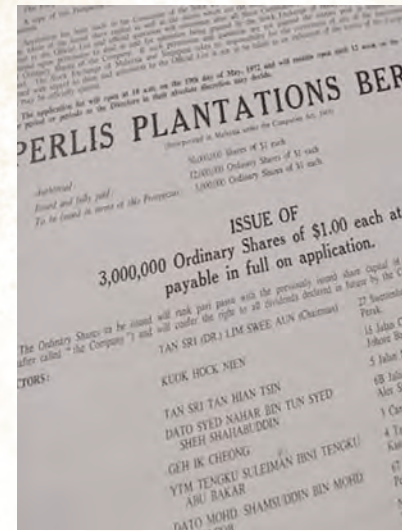
The Milestones of PPB Group Berhad

In **1972**...

“

PPB was listed on the Stock Exchange of Malaysia and Singapore, now known as Bursa Malaysia Securities Berhad (“Bursa Securities”) in May 1972, with an issued share capital of RM15.0 million.

”



1973

PPB achieved its first pre-tax profit of RM2.0 million for the financial year ended 30 September 1974 on turnover of RM9.3 million.



1976

PPB embarked on a diversification programme so that its performance would not be dependent on the vagaries of one crop. During the year, PPB acquired Malayan Sugar Manufacturing Co Berhad ("MSM"), which operates Malaysia's largest sugar refinery at Seberang Prai, Province Wellesley, Penang. As a result of the merger, PPB became a vertically integrated organisation engaged in all aspects of the sugar industry from cane growing to sugar milling, refining and distribution. Through MSM, PPB also became indirectly involved in the hotel industry, manufacture of poly bags and bulking operations.

1979

PPB further diversified into property development, tin mining and rubber plantations through the acquisition of Mineral Securities Malaysia Berhad, subsequently known as Minsec Properties Berhad ("Minsec").

Minsec's principal asset was its holding in public-listed Rahman Hydraulic Tin Berhad ("RHTB"). PPB's indirect interest in RHTB was initially 41.8%. RHTB later became a 55% direct subsidiary of PPB. On 5 October 1993, PPB announced the disposal on the open market of its entire equity interest in RHTB.



1980s

The Milestones of PPB Group Berhad



1980

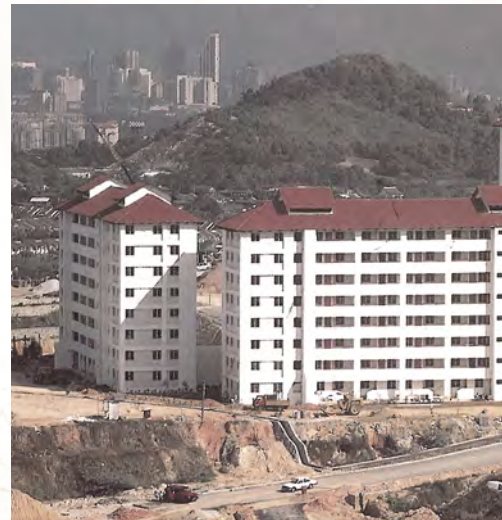
PPB acquired the entire issued share capital of South Island Mining Company Sdn Bhd ("SIMCO"), which operated iron ore mining leases and a rubber plantation in Bedong, Kedah.

1982

Tai Yan Realty Sdn Bhd ("Tai Yan"), which is now known as PPB Hartabina Sdn Bhd ("PPBH"), became a wholly-owned subsidiary of PPB. Tai Yan was the developer of Taman Segar in Cheras, Kuala Lumpur.

1983

PPB acquired a 34% equity interest in Shaw Brothers (M) Sdn Bhd ("SBM"), which then owned over 90 individual properties throughout Malaysia.



1986

In line with the Group's property interests, PPB ventured into retail operations by taking a 55% stake in Chujitsu Superstore Sdn Bhd (Chujitsu), a joint venture with Tosin Co Ltd and Chujitsu Co Ltd of Japan.

With the PPB Group's involvement in the trading and refining of edible oils, PPB first ventured into oil palm cultivation in Sarawak by forming Saremas Sdn Bhd, a joint venture with Sarako Sdn Bhd, to establish an oil palm plantation on 9,900 hectares in the Suai District of the Fourth Division.



1987

PPB made takeover offers for Federal Flour Mills Berhad ("FFM"), which is now known as FFM Berhad, and Rasa Sayang Beach Hotels (Pg) Berhad ("RSBH"), and FFM and RSBH became 50.86% and 95.13% (subsequently increased to 100%) subsidiaries of PPB, respectively. The takeover of FFM enabled PPB to diversify into flour and animal feed milling, edible oils processing and commodities trading. FFM has since diversified further into livestock farming as a synergistic progression from wheat flour milling and subsequently to consumer products distribution, further food processing and industrial bakery.

PPB and the Sabah Land Development Board established Sapi Plantations Sdn Bhd to undertake a fully integrated oil palm project over 14,200 hectares near Sandakan, Sabah. The Sapi Plantations project marked the Group's entry into Sabah. The following year, PPB established Reka Halus Sdn Bhd, a 70:30 joint venture with Ladang Sabah Sdn Bhd to develop 5,400 hectares of oil palm estate near Sapi. This marked another step towards oil palm cultivation becoming a core business of the PPB Group.

Recognising the potential of the entertainment industry, PPB entered into a joint venture with Golden Harvest (International) Ltd of Hong Kong to establish Golden Communications (M) Sdn Bhd ("GCM"), now known as Golden Screen Cinemas Sdn Bhd ("GSC"), to operate a chain of cinemas leased mainly from SBM.



1989

PPB was delisted from the Stock Exchange of Singapore, (SES), but remained listed on the Kuala Lumpur Stock Exchange ("KLSE"), now known as Bursa Securities.

1990s

The Milestones of PPB Group Berhad

In **1990**...

“

PPB acquired the entire issued share capital of Borneo Film Organisation Sdn Bhd (“BFO”). BFO changed its name to Cathay Cinemas Sdn Bhd and is now known as PPB Leisure Holdings Sdn Bhd, which owned and operated a chain of cinemas in Malaysia known as Cathay Organisation.

”



1991

PPB announced the proposed merger of Shangri-La Hotels (Malaysia) Berhad ("SHMB") (formerly RSBH) and UBN Holdings Sdn Bhd and the proposed listing of SHMB on the Main Board of the KLSE, now known as Bursa Securities.



1993

PPB acquired a 40% stake in Haskitime Corporation Sdn Bhd, and its name was subsequently changed to ChemQuest Sdn Bhd ("ChemQuest"). In 1999, PPB increased its stake in ChemQuest to 55%. The ChemQuest Group is now engaged in environmental engineering, utilities, waste management, trading of chemicals and contract manufacturing.



1990s

The Milestones of PPB Group Berhad



1994

PPB entered into joint ventures taking 70% stakes in Segarmas Plantations Sdn Bhd and Suburmas Plantations Sdn Bhd to develop 4,860 and 4,591 hectares of oil palm plantations in Sarawak, respectively.

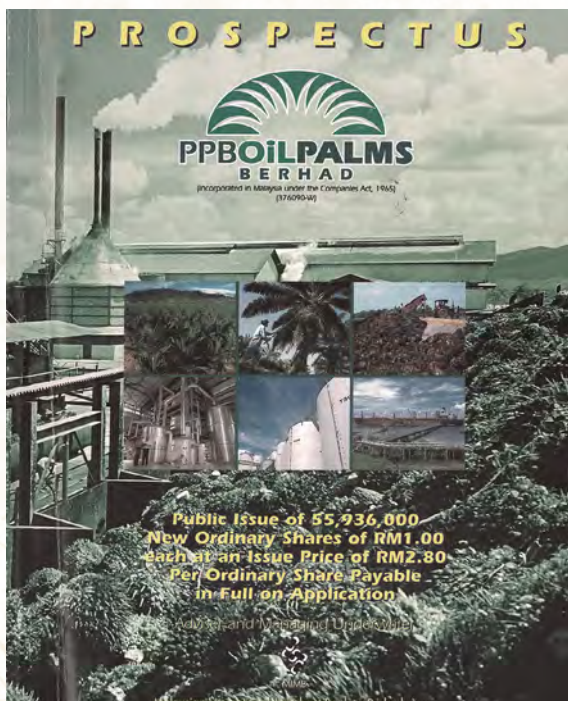
1995

PPB expanded its oil palm operations to Indonesia taking a 70% stake in PT Tidar Sungkai Sawit ("TSS"), to operate an oil palm plantation on about 8,000 hectares of land in Sumatra. PPB's 70% stake was subsequently transferred to PPB Oil Palms Berhad.

1996

To restructure its retail operations, PPB entered into an agreement on 7 March 1996 with Dutch retailer Koninklijke Ahold NV to operate retail-related businesses under a new joint venture company called RA-PPB (Tops) Retail Sdn Bhd ("Tops"). PPB held a 40% stake in the joint venture. The company was subsequently divested and PPB exited the retail business in 2000.

PPB restructured its cinema and leisure operations by injecting GCM into Cathay Cinemas Sdn Bhd, which is now known as PPB Leisure Holdings Sdn Bhd ("PPB Leisure"). PPB Leisure has since diversified into software development and maintenance, information technology services and solutions and has expanded its cinema business to Vietnam and Cambodia.



1997

The oil palm investments of PPB were merged under PPB Oil Palms Berhad ("PPBOP"), with PPB retaining a 58% stake. PPBOP was listed on the then Main Board of the KLSE on 12 August 1997.

1999

PPB disposed of its entire 26.09% stake in SHMB in October 1999 in exchange for 39.674 million new ordinary shares in Shangri-La Asia Limited ("SAL") pursuant to a Voluntary Takeover Offer by SAL for SHMB shares.

2000s

The Milestones of PPB Group Berhad

Starting in **2000**...

“

To better reflect its diversified activities, Perlis Plantations Berhad changed its name to PPB Group Berhad on 8 May 2000.

”



PPB GROUP BERHAD

2004

On 14 October 2004, FFM was delisted from the Official List of Bursa Malaysia following the privatisation of FFM pursuant to a scheme of arrangement under Section 176 of the Companies Act 1965. FFM became a wholly-owned subsidiary of PPB.



2006

The Group received an offer from Wilmar International Limited (“Wilmar”) on 14 December 2006 to acquire from FFM its 65.8% and 28% equity interests in PGEO Group Sdn Bhd and Kuok Oils & Grains Pte Ltd respectively, in exchange for new shares in Wilmar. PPBOP, then a 55.6%-subsidiary of PPB, received a Notice of Conditional Takeover Offer from Wilmar to acquire all the PPBOP shares not owned by Wilmar on the basis of 2.3 Wilmar shares for every PPBOP share held. These exercises were completed in 2007 and the PPB Group held an 18.3% stake in Wilmar.



2009

On 30 October 2009, PPB entered into separate sales and purchase agreements (SPA) with Felda Global Ventures Holdings Sdn Bhd ("FGVH") to dispose of its entire equity interests in MSM (100%) and KGFP (50%), and 5,797 hectares of land in Chuping, Perlis. Grenfell Holdings Sdn Bhd, a 49%-associate of PPB, also entered into a SPA with FGVH to dispose of its 20% stake in Tradewinds (M) Berhad. With the completion of these disposals in January 2010, PPB ceased to be involved in the sugar business.



2010s

The Milestones of PPB Group Berhad

50 years of effort...

“

Over the years, PPB Group has expanded its core businesses domestically and regionally to Thailand, Vietnam, Cambodia, Indonesia and China. PPB has grown in size and strength and is now a diversified conglomerate with total assets of over RM22.9 billion as at 31 December 2017.

”





 PPB GROUP BERHAD

PPB celebrates the 50th Anniversary of its incorporation on 1 November 2018.



Our Mission

To strengthen our leadership position in our core businesses in Malaysia, expand regionally for further growth, invest in related activities for greater synergy and increase shareholder value, in a socially and environmentally responsible manner through management excellence.

Our Vision

To be a market leader in our core businesses reputed for our sustainable quality products and services.



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Proxy Form

OTHER COMMUNICATION TOOLS

Corporate Website

For more information on PPB Group, please visit our corporate website.

<http://www.ppbgroup.com/>

Online Report



Scan this QR code for a direct link to our Annual Report online.

Or log on to

<http://www.ppbgroup.com/investor-relations/annual-reports.php>



GRAINS & AGRIBUSINESS



For further information on Grains & Agribusiness, please visit <http://ppbgroup.com/our-businesses/>

01

FLOUR MILLING

FFM Group operates five flour mills in Malaysia with a total milling capacity of 3,050 mt/day. Overseas, FFM Group operates two flour mills in Vietnam, and one each in Thailand and Indonesia. FFM Group also has 20% interest in nine associates in China engaged in flour milling.



02

ANIMAL FEED MILLING

FFM Group is one of the key feed millers in Malaysia and operates five feed mills in Peninsular and East Malaysia with a total designed mixing capacity of 145 mt/hour.



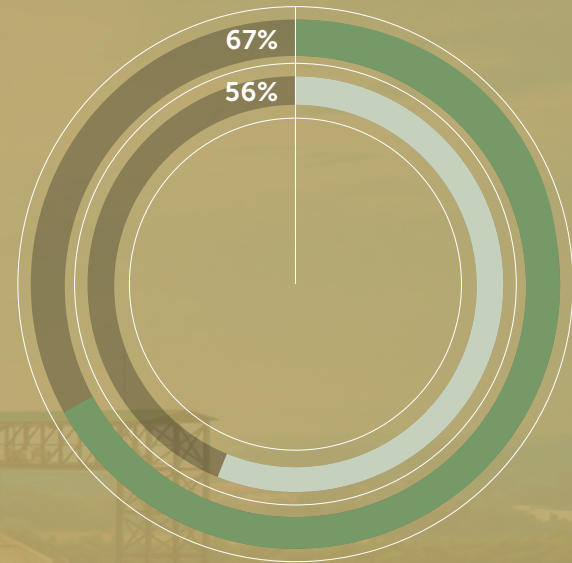
03

LIVESTOCK FARMING

FFM Farms Sdn Bhd operates 2 broiler breeder farms with a combined production capacity of 3.25 million broiler chicks per month, and a layer farm with a monthly production capacity of 20.0 million eggs to complement the Group's animal feed milling operations.



CONTRIBUTION OF GRAINS & AGRIBUSINESS IN 2017



% of Total Group Revenue

% of Total Segment Profit

CONSUMER PRODUCTS



THE ITALIAN BAKER SDN. BHD. 1768465 VI
PT45125, BATU 15 1/2, SUNGAI PELONG
47000 SUNGAI BULOH, SEL. D.E.
BARANG, SDN. S'JA 3 ORANG PEKERJA SDN. S'JA

BDM 4800KG
BTM 2560KG



For further information on Consumer Products, please visit <http://ppbgroup.com/our-businesses/>

01

CONSUMER PRODUCTS DISTRIBUTION

FFM Marketing Sdn Bhd (FMSB) has established a strong distribution network and currently distributes a wide range of fast-moving consumer goods under its own brands as well as other international and local brands. FMSB has 12 warehouses with a total warehousing capacity of 300,000 sq ft.



02

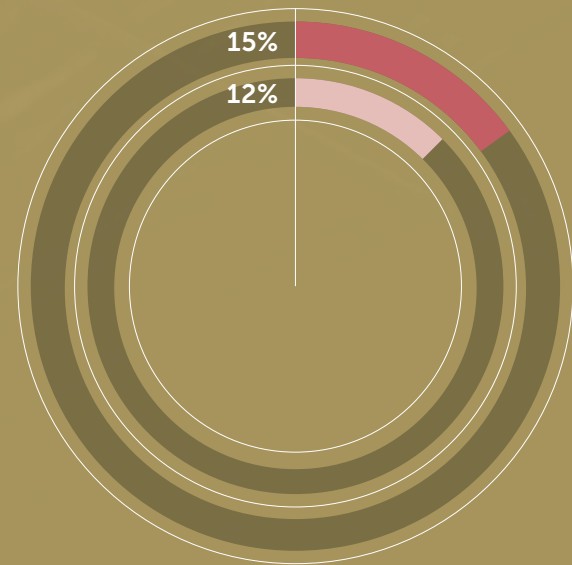
BAKERY

The Italian Baker Sdn Bhd operates a state-of-the-art baking plant in Pulau Indah with three fully automated production lines using the latest American and European technology. The production lines comprise a 16,000 loaves-per-hour bread line; a 24,000 rolls-per-hour line and a 15,000 cake-per-hour line.



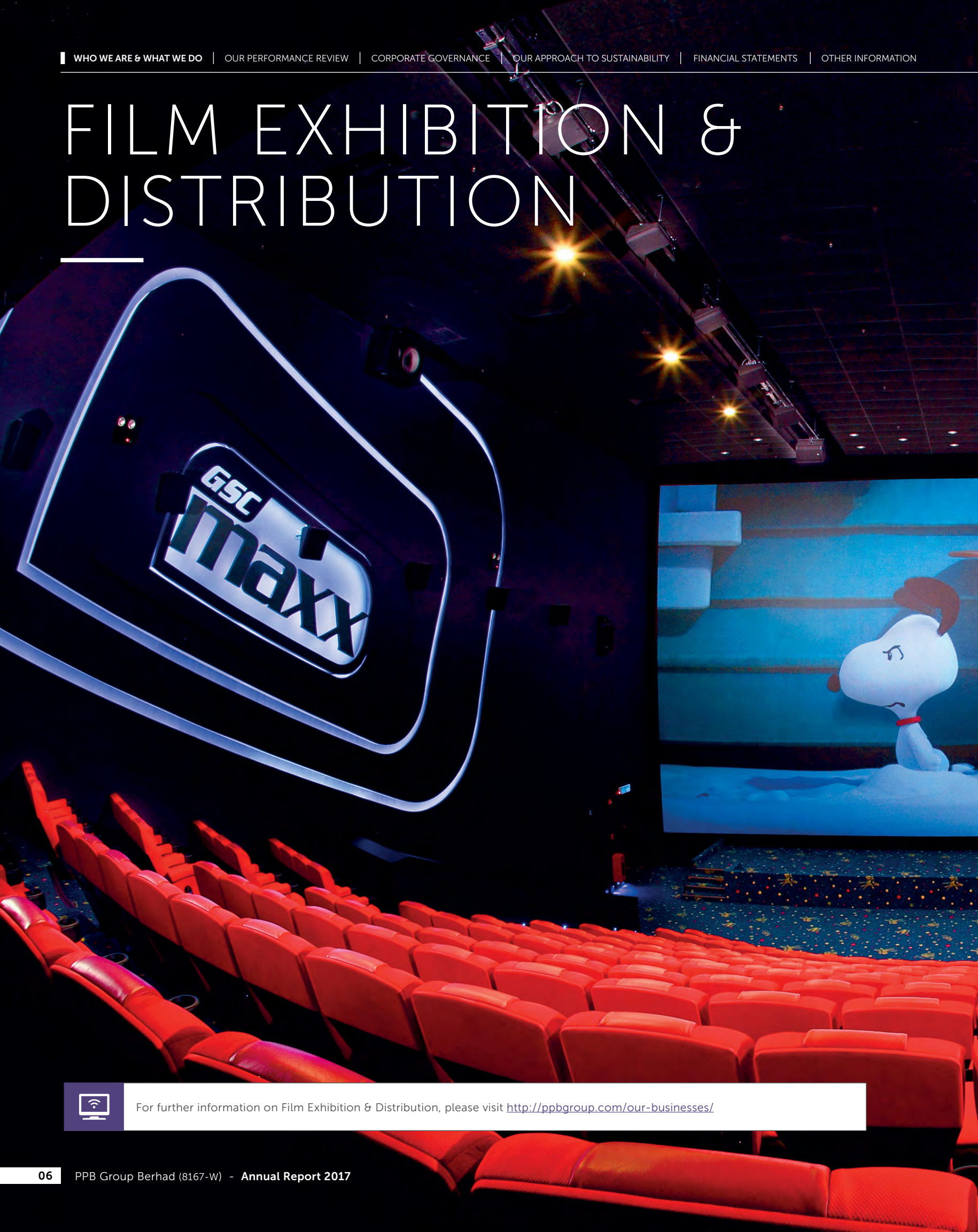
The Italian Baker

CONTRIBUTION OF CONSUMER PRODUCTS IN 2017



- % of Total Group Revenue
- % of Total Segment Profit

FILM EXHIBITION & DISTRIBUTION

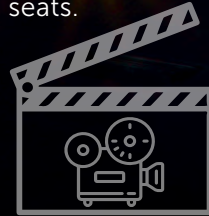


For further information on Film Exhibition & Distribution, please visit <http://ppbgroup.com/our-businesses/>

01

FILM EXHIBITION

Golden Screen Cinemas Sdn Bhd is the leading cinema exhibitor in Malaysia and operates 344 screens with a total of 56,257 seats at 36 locations in major cities and towns nationwide. In Vietnam, the Group operates at 13 locations with a total of 82 screens and 12,887 seats.



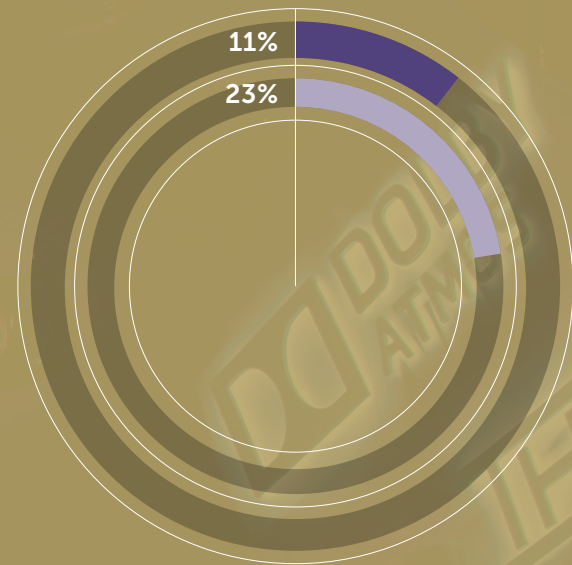
02

FILM DISTRIBUTION

GSC Movies Sdn Bhd acquires and distributes films to cinemas and sub-licences movie content to television (pay TV and free TV), over-the-top (OTT) platform and hotel operators. It is the largest local distributor of Chinese, independent English and foreign language films, and distributes films to cinemas throughout Malaysia, Brunei, Vietnam, Myanmar, Cambodia and Laos. GSC Movies distributed a total of 98 films in 2017.

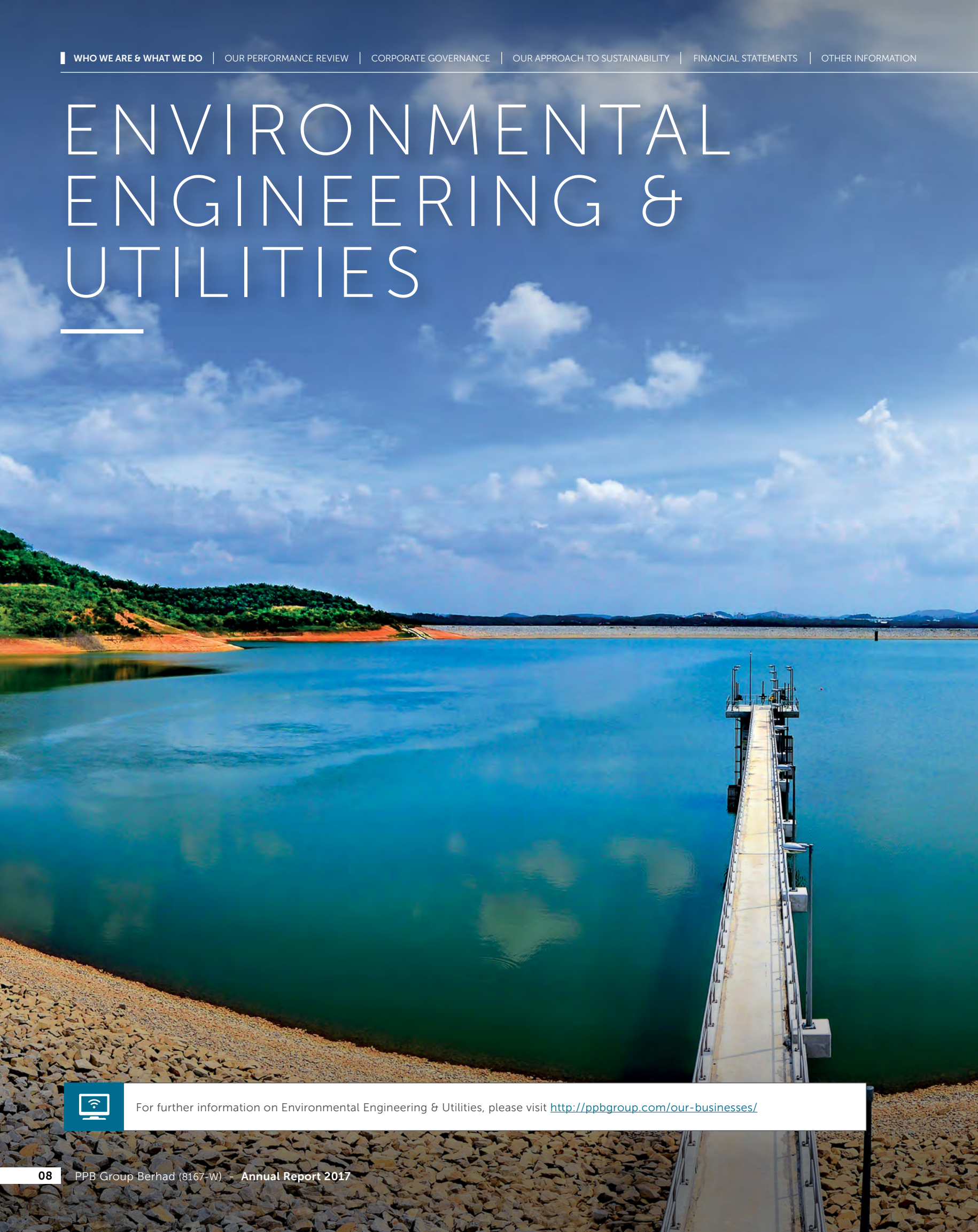


CONTRIBUTION OF FILM EXHIBITION & DISTRIBUTION IN 2017



■ % of Total Group Revenue
 ■ % of Total Segment Profit

ENVIRONMENTAL ENGINEERING & UTILITIES



For further information on Environmental Engineering & Utilities, please visit <http://ppbgroup.com/our-businesses/>

01

WATER ENGINEERING

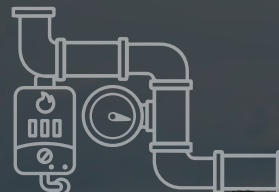
Design, construct, operate and maintain municipal water supply facilities covering intake, pumping stations, treatment, delivery and supply network.



02

SEWAGE TREATMENT

Design, construct, operate and maintain centralised sewage treatment plants and sludge treatment plants for the sewage authorities. Design and construct sewage network and network pumping stations.



03

SOLID WASTE MANAGEMENT

Collect and dispose commercial, industrial and residential wastes on a large scale for various corporate clients and municipalities. Member of the concessionaire operating sanitary landfills in Selangor.



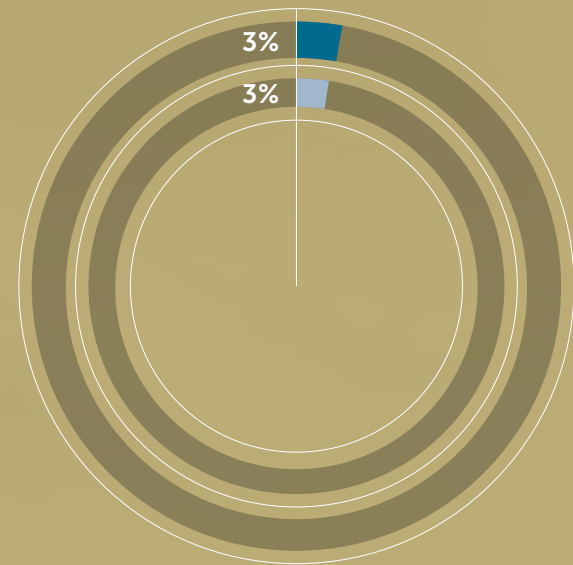
04

FLOOD MITIGATION

Provide turnkey solutions for flood mitigation schemes.



CONTRIBUTION OF ENVIRONMENTAL ENGINEERING & UTILITIES IN 2017



■ % of Total Group Revenue
■ % of Total Segment Profit

PROPERTY



For further information on Property, please visit <http://ppbgroup.com/our-businesses/>

01

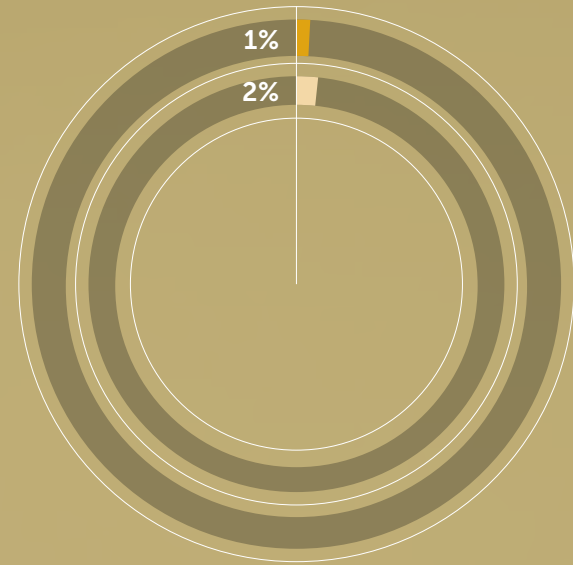
INVESTMENT PROPERTIES

PPB owns and manages four retail/commercial properties namely:

- Cheras LeisureMall in Taman Segar, Kuala Lumpur
- Cheras Plaza in Taman Segar, Kuala Lumpur
- New World Park at Lorong Swatow, Georgetown, Penang
- The Whiteaways Arcade, Beach Street, Georgetown, Penang



CONTRIBUTION OF PROPERTY IN 2017

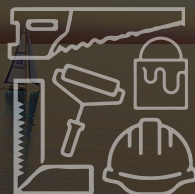


- % of Total Group Revenue
- % of Total Segment Profit

02

PROPERTY DEVELOPMENT

PPB Hartabina Sdn Bhd is engaged in property development and in 2017, soft launched "Megah Rise", a mixed development in Taman Megah, Petaling Jaya.



03

PROJECT MANAGEMENT

PPB Property Development Sdn Bhd provides project management services for property development projects under various PPB Group companies and affiliates. The major projects include:

- Southern Marina Residences in Puteri Harbour, Nusajaya, Johor
- Shaw Parade in Pudu, Kuala Lumpur
- Ponderosa Woods in Taman Molek, Johor Bahru



Corporate Profile



PPB Group Berhad ("PPB") is an investment holding and property investment company listed on the Main Market of Bursa Malaysia Securities Berhad, the Malaysian stock exchange. Incorporated in Malaysia in 1968, the PPB Group today is a conglomerate with total assets and market capitalisation of RM22.9 billion and RM20.6 billion respectively as at 31 December 2017.

PPB is headquartered in Kuala Lumpur, Malaysia and we have operations in China, Vietnam, Indonesia, Thailand and Singapore with about 4,500 employees in the Malaysian operations.

Our businesses are principally divided into six business segments viz:

- Grains & Agribusiness
- Consumer Products
- Film Exhibition & Distribution
- Environmental Engineering & Utilities
- Property
- Investments & Other Operations

The Group's main contributor, *Grains & Agribusiness*, comprises flour and animal feed milling; grains trading and livestock farming. The FFM Group in which PPB has 80% equity interest, owns and operates five flour mills in the country, two in Vietnam and one each in Thailand and Indonesia. FFM Group also has 20% interest in nine associates in China with a combined flour milling capacity of 12,550 mt/day. Under the *Consumer Products* segment, the Group has moved into downstream activities including food processing, bakery, marketing and distribution of edible oils and consumer products as well as manufacturing of toiletries and household products.

In the *Film Exhibition & Distribution* segment, wholly-owned Golden Screen Cinemas Sdn Bhd is the largest film exhibitor in Malaysia with 344 screens in 36 locations nationwide, capturing about 40% of domestic box office collections.

PPB's strategic acquisitions and business ventures over the years have enabled it to successfully diversify its businesses to include *Environmental Engineering & Utilities* led by the Chemquest Group in which PPB has 55% equity interest. This segment provides water engineering, sewage treatment, solid waste management and flood mitigation services.

PPB owns and manages several retail/commercial properties comprising a shopping centre, Cheras LeisureMall, and an office building, Cheras Plaza in Taman Segar, Kuala Lumpur as well as New World Park and the Whiteaways Arcade in Georgetown, Penang. Two wholly-owned subsidiaries of PPB, PPB Hartabina Sdn Bhd and PPB Property Development Sdn Bhd, carry out property development, and provide project and property management services, respectively, for projects undertaken and properties owned by PPB Group companies and affiliates.

PPB owns 18.5% equity interest in one of Asia's largest integrated agribusiness groups, Wilmar International Limited ("Wilmar"). Wilmar's business encompasses the entire value chain of the agricultural commodity business, from cultivation, processing, merchandising to manufacturing of a wide range of agricultural products. It has over 500 manufacturing plants and an extensive distribution network covering China, India, Indonesia and some 50 other countries.

Corporate Objectives



CREATE VALUE FOR SHAREHOLDERS

To reward shareholders with sustainable and attractive dividends.



CAPITALISE ON SYNERGIES

To synergise and leverage on the Group's individual operations to maximise overall output and strength.



FOCUS ON CORE BUSINESSES

To enhance and expand our core operations and related businesses to capitalise on scale and integration for optimum cost-efficiency.



STRENGTHEN MARKET POSITION

To further strengthen our leadership position in our core businesses.

Corporate Information

BOARD OF DIRECTORS

Tan Sri Datuk Oh Siew Nam

Chairman
Non-independent Non-executive Director

Mr Lim Soon Huat

Managing Director

Datuk Ong Hung Hock

Non-independent Non-executive Director

Mr Soh Chin Teck

Independent Non-executive Director

Dato' Capt Ahmad Sufian

@ Qurnain bin Abdul Rashid

Independent Non-executive Director

En Ahmad Riza bin Basir

Independent Non-executive Director

Madam Tam Chiew Lin

Independent Non-executive Director

AUDIT COMMITTEE

Mr Soh Chin Teck

Chairman

Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid

Madam Tam Chiew Lin

NOMINATION COMMITTEE

En Ahmad Riza bin Basir

Chairman

Datuk Ong Hung Hock

Mr Soh Chin Teck

REMUNERATION COMMITTEE

Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid

Chairman

Tan Sri Datuk Oh Siew Nam

Madam Tam Chiew Lin

COMPANY SECRETARY

Mr Mah Teck Keong

REGISTERED OFFICE

12th Floor UBN Tower

10 Jalan P Ramlee

50250 Kuala Lumpur

Telephone : 03-2726 0088

Facsimile : 03-2726 0099

Website : www.ppbgroup.com

PRINCIPAL BANKERS

Malayan Banking Berhad

AmBank (M) Berhad

Hong Leong Bank Berhad

HSBC Amanah Malaysia Berhad

AUDITORS

Mazars PLT

11th Floor South Block

Wisma Selangor Dredging

142-A Jalan Ampang

50450 Kuala Lumpur

REGISTRARS

PPB Corporate Services Sdn Bhd

12th Floor UBN Tower

10 Jalan P Ramlee

50250 Kuala Lumpur

Telephone : 03-2726 0088

Facsimile : 03-2726 0099

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(Main Market)

Sector : Consumer Products

Stock Name : PPB

Stock Number : 4065

ISIN : MYL406500008

Reuters Code : PEPT.KL



IMPROVE EFFICIENCY AND PRODUCTIVITY

To further drive operational effectiveness to ensure best-of-class operating standards.



MAINTAIN SUSTAINABLE GROWTH

To focus on sustainable growth in the earnings and net assets of the Group.



SECURE FUTURE GROWTH

To create new business opportunities through prudent and smart investment strategies in new and emerging areas as well as market segments both locally and regionally.



CARE FOR THE ENVIRONMENT

To practise sensible and proper environment-friendly standards in our business operations in accordance with legal and regulatory requirements.



COMMIT TO CORPORATE SOCIAL RESPONSIBILITY

To embrace responsible corporate citizenship focused on generating economic returns with positive contributions to society.



PRACTISE GOOD CORPORATE GOVERNANCE

To observe optimum standards of transparency, accountability and integrity in our business practices and corporate performance.

Group Corporate Structure

As at 31 March 2018

PPB GROUP BERHAD



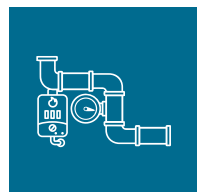
GRAINS & AGRIBUSINESS



CONSUMER PRODUCTS



FILM EXHIBITION & DISTRIBUTION



ENVIRONMENTAL ENGINEERING & UTILITIES



PROPERTY



INVESTMENTS & OTHER OPERATIONS

Notes

- This chart features the main operating companies and does not include dormant and inactive companies.
- Percentages shown indicate the Group's direct equity interest held.

OUR CORE BUSINESS STRUCTURES

GRAINS & AGRIBUSINESS



Investment holding, grains trading, flour and feed milling

● FFM Berhad	80 %
<i>Flour milling</i>	
● Johor Bahru Flour Mill Sdn Bhd	100 %
● FFM Grains & Mills Sdn Bhd	100 %
● Vietnam Flour Mills Limited	100 %
● VFM-Wilmar Flour Mills Co Limited	51 %
● PT Pundi Kencana	51 %
● Kerry Flour Mills Limited	43.4 %
<i>Animal feed milling</i>	
● Johor Bahru Flour Mill Sdn Bhd	100 %
● FFM Grains & Mills Sdn Bhd	100 %
● FFM (Sabah) Sdn Bhd	100 %
● FFM Feedmills (Sarawak) Sdn Bhd	100 %
<i>Livestock farming</i>	
● FFM Farms Sdn Bhd	100 %
<i>Investment holding</i>	
● Waikari Sdn Bhd	100 %
<i>Flour milling</i>	
● Yihai Kerry (Quanzhou) Oils, Grains & Foodstuffs Industries Co., Ltd	20 %
● Yihai Kerry (Anyang) Foodstuffs Industries Co., Ltd	20 %
● Yihai Kerry (Beijing) Oils, Grains & Foodstuffs Industries Co., Ltd	20 %
● Yihai Kerry (Shenyang) Oils, Grains & Foodstuffs Industries Co., Ltd	20 %
● Dongguan Yihai Kerry Oils, Grains & Foodstuffs Industries Co., Ltd	20 %
● Yihai (Zhoukou) Wheat Industries Co., Ltd	20 %
● Yihai Kerry (Zhengzhou) Foodstuffs Industries Co., Ltd	20 %
● Yihai Kerry (Kunshan) Foodstuffs Industries Co., Ltd	20 %

CONSUMER PRODUCTS



<i>Consumer products distribution</i>	
● FFM Marketing Sdn Bhd	100 %
<i>Bakery</i>	
● The Italian Baker Sdn Bhd	100 %
<i>Contract manufacturing</i>	
● Products Manufacturing Sdn Bhd	70 %
<i>Food processing</i>	
● Meizan CLV Corporation	50 %
● Kart Food Industries Sdn Bhd	45 %
● FFM Further Processing Sdn Bhd	30 %

Group Corporate Structure

FILM EXHIBITION & DISTRIBUTION



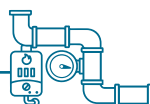
<i>Investment holding</i>	
● PPB Leisure Holdings Sdn Bhd	100 %
<i>Exhibition of movies and content</i>	
● Golden Screen Cinemas Sdn Bhd	100 %
● Berjaya-GSC Sdn Bhd	50 %
<i>Distribution of movies and content</i>	
● GSC Movies Sdn Bhd	100 %
<i>Screen advertising</i>	
● Cinead Sdn Bhd	100 %
<i>Café operator</i>	
● Glitters Café Sdn Bhd	100 %
<i>Investment holding</i>	
● GSC Vietnam Limited	100 %
<i>Exhibition and distribution of movies and content</i>	
● Galaxy Studio Joint Stock Company	40 %
<i>Investment holding</i>	
● GSC Cambodia Limited	100 %

PROPERTY



<i>Project and property management, sales and marketing services</i>	
● PPB Property Development Sdn Bhd	100 %
<i>Property development</i>	
● PPB Hartabina Sdn Bhd	100 %
<i>Investment holding</i>	
● South Island Mining Company Sdn Bhd	100 %
<i>Property development</i>	
● Seletar Sdn Bhd	100 %
<i>Property investment</i>	
● Cathay Screen Cinemas Sdn Bhd	100 %
● Shaw Brothers (M) Sdn Bhd	34 %
<i>Investment holding</i>	
● Huge Quest Realty Sdn Bhd	40 %
<i>Property development</i>	
● Southern Marina Development Sdn Bhd	70 %

ENVIRONMENTAL ENGINEERING & UTILITIES



<i>Waste management and environmental engineering</i>	
● CWM Group Sdn Bhd	100 %
<i>Environmental engineering and utilities</i>	
● Cipta Wawasan Maju Engineering Sdn Bhd	100 %
<i>Waste management</i>	
● Sitamas Environmental Systems Sdn Bhd	100 %
● Worldwide Landfills Sdn Bhd	40 %
<i>Investment holding</i>	
● Chemquest (Overseas) Limited	100 %
● Beijing KVV Wastewater Technology Company Ltd	51 %
<i>Utilities</i>	
● Beijing Drainage Group Co Ltd Veolia Kerry Wastewater Treatment Plant	42 %

INVESTMENTS & OTHER OPERATIONS



<i>Investment holding & trading</i>	
● Chemquest Sdn Bhd	55 %
<i>Chemicals manufacturing</i>	
● Malayan Adhesives & Chemicals Sdn Bhd	99.6 %
<i>Investment holding</i>	
● Masuma Trading Company Limited	100 %
● Hexarich Sdn Bhd	100 %
<i>IT services</i>	
● Easi (M) Sdn Bhd	60 %
● Enterprise Advanced System Intelligence Pte Ltd	60 %
● Easi Ticketing Sdn Bhd	100 %
<i>Integrated agribusiness</i>	
● Wilmar International Limited	18.5 %

Chairman's Statement

DEAR SHAREHOLDERS

PPB Group Berhad ("PPB") delivered another year of solid performance amidst challenging economic times. Our diversified portfolio of businesses and core competencies enabled us to stay resilient in this environment, supported by our financial strength and efficient asset management.



Tan Sri Datuk Oh Siew Nam
Chairman

Group results

Revenue was up 3% to RM4.31 billion for the financial year ended 31 December 2017.

The growth was largely attributable to strong performances by our **Grains & Agribusiness, Consumer Products, and Film Exhibition & Distribution** segments.



Group pre-tax profit rose by 7% to RM1.29 billion, as a result of the higher profit contribution from our 18.5%-owned associate, Wilmar International Limited, one of the leading agribusiness companies in the world. Profit attributable to shareholders totalled RM1.24 billion and earnings per share was 101.68 sen.

With prudent debt management and a strong financial position, the Group continues to expand its core businesses locally and regionally, while pursuing investment and business opportunities for further growth.



Please refer to the Managing Director's Review on pages 18 to 31 of this Annual Report for the detailed management discussion and analysis of our businesses, operations and performance in 2017.

Chairman's Statement

HIGHLIGHTS IN 2017



Group pre-tax profit rose by **7%** to **RM1.29 billion.**



Profit attributable to shareholders totalled **RM1.24 billion** and earnings per share was **101.68 sen.**



The Board is committed to upholding and implementing **high standards of corporate governance.**



Please refer to the Corporate Governance Overview Statement on pages 42 to 47 of this Annual Report for the detailed Board's commitment to Corporate Governance.

DIVIDENDS

I am pleased to inform you that the Board has recommended the payment of a final single tier dividend of 22 sen per share, which together with the eight sen per share interim single tier dividend, would bring the total dividend for 2017 to 30 sen per share (FY2016 – 25 sen per share). Subject to shareholders' approval at our forthcoming 49th Annual General Meeting, the proposed final dividend is payable on 31 May 2018.

We are committed to rewarding shareholders with consistent dividends over the long term. Supported by our growth strategies and healthy cash flow, PPB has paid annual dividends of between 20 and 30 sen per share in the last five years.

THE BOARD'S COMMITMENT TO CORPORATE GOVERNANCE

The Board is committed to upholding and implementing high standards of corporate governance. We actively strengthen our governance and internal controls which we strongly believe play an important role in achieving our objective of creating higher shareholder value. Our corporate governance initiatives and internal control processes are presented in the relevant sections of this Annual Report.

SUSTAINABILITY

The PPB Group takes seriously its responsibility towards preserving and enhancing the environment, marketplace and communities in which it operates and an inherent focus of our operations is to achieve sustainability for the long-term benefit of the Group, its shareholders and other stakeholders.

Our Sustainability Statement on pages 54 to 77 of this Annual Report presents our achievement in the areas of our environmental impact, working environment, marketplace engagement and community investment and also tracks our progress against our sustainability targets and plans.

We are confident that the Group's commitment to strong governance, good sustainability practices, as well as continued investment in human capital, places us in a stronger position for future growth.

PROSPECTS AND CHALLENGES FOR 2018

The Malaysian economy is expected to maintain its positive growth momentum, driven by domestic demand and the spillover effect of global growth. This will support a strong performance from our main business segments in the year ahead and we expect Wilmar's performance to continue to contribute significantly to our overall financial results for 2018.

APPRECIATION

This year, we celebrate our 50th anniversary. The Company has come a long way since it first started growing sugar cane in the state of Perlis and is now a diversified conglomerate. Our achievements would not have been possible without the years of dedication and hard work of our management and staff and for this the Board and I are extremely grateful.

On behalf of the Company and the Board, I would like to record our sincere appreciation and thanks to all the employees of our Company and its subsidiaries for their dedication and loyalty. As we approach this important milestone in our corporate history, I would like to ask everyone to continue their hard work and best efforts so that we are able to meet the many challenges that lie ahead.

To our shareholders, customers, business partners and other stakeholders, I thank you on behalf of the Board, for your continued commitment and trust in the Group.

To my fellow Board members, my sincere appreciation for your invaluable support, contributions and guidance.

Tan Sri Datuk Oh Siew Nam
Chairman

28 March 2018

Managing Director's Review

We are pleased to report an increase in revenue by 3% to RM4.31 billion and profit before tax ("PBT") by 7% to RM1.29 billion, in comparison to 2016 where the Group recorded RM4.19 billion in revenue and RM1.21 billion PBT.



Lim Soon Huat
Managing Director

PPB Group Berhad achieved revenue and operation growth for the year 2017. In spite of being in a highly competitive atmosphere, we remained resilient and continued to lead in the markets we operate. We attribute this to our continued strategic focus on strengthening our core businesses and ability to anticipate and chart growth opportunities locally and regionally.

We are pleased to report an increase in revenue by 3% to RM4.31 billion and profit before tax ("PBT") by 7% to RM1.29 billion, in comparison to 2016 where the Group recorded RM4.19 billion in revenue and RM1.21 billion PBT. The increased revenue is mainly contributed by our *Grains & Agribusiness*, *Consumer Products* and *Film Exhibition & Distribution* segments. 2017 recorded the highest profit for the Group's core operations in eight years.

The year 2017 also saw a 15% increase in net profit attributable to owners of the parent to RM1.21 billion as compared to RM1.05 billion in 2016, a result of higher contribution from our 18.5% associate, Wilmar International Limited ("Wilmar").

HIGHLIGHTS IN 2017



Net profit attributable to owners of the parent increased by

15% to **RM1.21 billion** in **2017** as compared to **RM1.05 billion** in 2016.

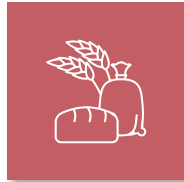
Managing Director's Review

OUR CORE BUSINESSES

We recorded earnings per share of **101.68 sen** and net assets per share stood at **RM17.63**.



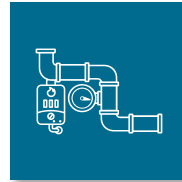
Grains & Agribusiness



Consumer Products



Film Exhibition & Distribution



Environmental Engineering & Utilities

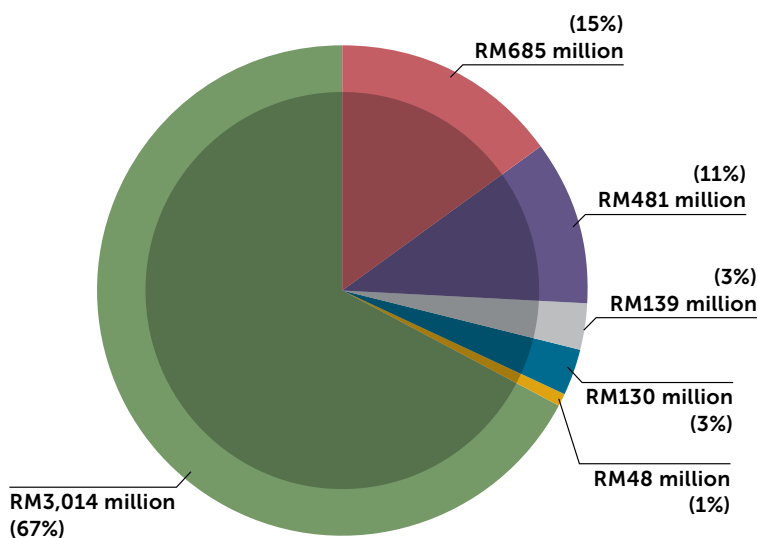


Property

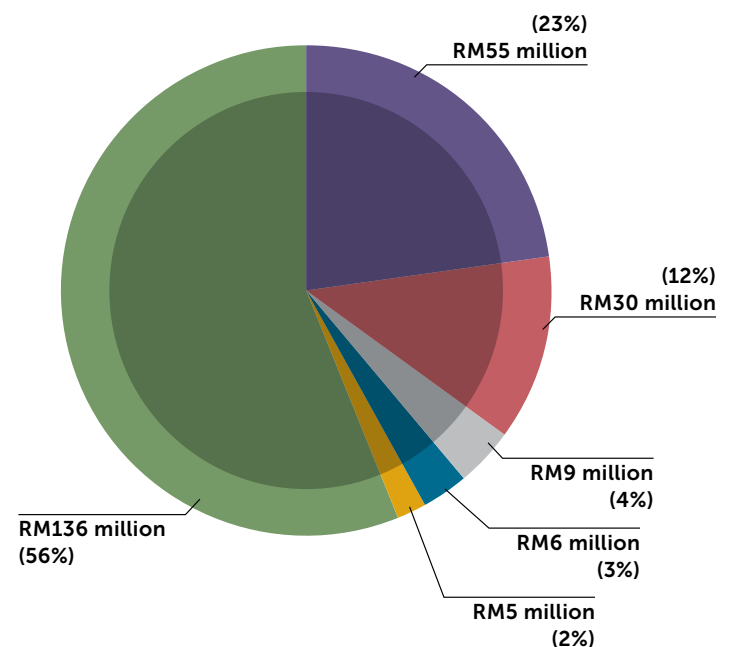


Investments & Other Operations

TOTAL REVENUE: RM4.31 BILLION



TOTAL SEGMENT PROFIT: RM241 MILLION



ECONOMIC AND OPERATING ENVIRONMENT IN 2017

The Malaysian economy exceeded market expectations to grow by 5.9% in 2017, an achievement attributable to a range of factors, including growth in private consumption which witnessed a 7% rise in household spending; an increase in Government spending and a more supportive external sector.

Overall the Group did well despite challenges with higher minimum wages, the introduction of the Employee Insurance Scheme as well as increase in the foreign workers levy. To address these challenges, the Group adopted a range of innovative measures including automation of our production lines, challenging senior management to multi-task and conscientiously recognise innovative measures while maintaining our leading position in the many segments and markets where we operate.

Managing Director's Review

REVIEW OF BUSINESS OPERATIONS

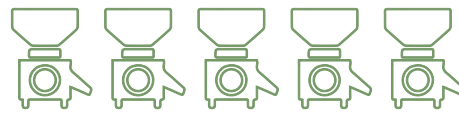
GRAINS & AGRIBUSINESS

The Grains & Agribusiness segment is one of our core businesses, remaining the largest contributor to revenue and profit for 2017. The segment accounted for 67% of Group revenue and 56% of profit. Increased flour sales volume in Vietnam and Malaysia, along with higher feed sales volume and pricing in Malaysia are the main reasons for this.

HIGHLIGHTS IN 2017



The Grains & Agribusiness segment accounted for **67%** of the **Group's revenue** and **56%** of **profit**.



FFM Group owns and operates **nine** flour mills – **five** in **Malaysia**, **two** in **Vietnam** and **one** each in **Indonesia** and **Thailand**.

The FFM Group owns and operates nine flour mills – five in Malaysia, two in Vietnam and one each in Indonesia and Thailand with a total flour milling capacity of 7,270 mt/day. FFM Group also has 20% interest in nine associates in China with a combined flour milling capacity of 12,550 mt/day.

The Grains & Agribusiness segment includes livestock farming operations and animal feed milling in Malaysia. The livestock farming operations consist of a layer farm situated in Trong, Perak; table eggs produced from this farm are marketed under the Seri Murni brand. We also operate two state-of-the-art breeder farms in Sua Betong, Negeri Sembilan and Gurun, Kedah which produce quality day-old-chicks.

FFM Group has five feed mills in Malaysia with a total production capacity of 63,000 mt/month. Our feed products are marketed under the Friendship brand.

We operate with uncompromised high health and safety standards in all our operating locations. Owing to this, the Group was awarded the prestigious National Occupational Safety and Health Excellence Award 2017 by the Department of Occupational Safety and Health (DOSH).

Increasing Capacity in Malaysia and Vietnam Supports our Growth

With increasing affluence, demand for alternative staple foods is likely to rise as well. Our near full capacity utilisation warranted the expansion of our wheat flour milling capacity in Ba Ria-Vung Tau Province in South Vietnam and in Pasir Gudang, Johor, each by an additional production capacity of 500 mt/day.

New Trends in Poultry and Feed Industry

With a growing number of industry players working on attaining as big a market share as possible at the expense of reduced profits, our bottom line was affected. However, similar to flour milling, knowledge and experience in managing and monitoring the fluctuations of commodity prices and



FFM Group's new 500 mt/day flour mill in Ba Ria-Vung Tau Province in South Vietnam.

Managing Director's Review

foreign exchange works to our advantage. We continue to focus on large industry users for volume and train our sales and marketing team as part of our aim to strengthen our service in the key areas of delivery, after sales service and technical assistance.

The animal feed milling operations are experiencing tough trading conditions due to many customers integrating their total operations from feed milling, poultry farming, slaughtering and marketing. The customer base is thus declining as this sector undergoes consolidation with independent farmers.

Demand for Essential Foods and Poultry Products

While we believe that demand for flour products will not be significantly affected by any economic downturn, we are mindful of market fluctuations and recognise competition. We have to remain vigilant on how it impacts our bottom line. We are confident of maintaining our lead in this segment.

Consumption of animal protein increases as a society advances. Progressing towards a higher income nation, poultry production will have to expand to meet growing demand despite the current volatility of the industry. In addition, eggs remain one of the most widely accepted and affordable sources of protein. Together with poultry meat, eggs will remain the main source of protein for the majority of Malaysians.

The feed milling operations maintain a cautiously optimistic outlook for 2018 having demonstrated its ability to generate growth amidst a difficult and challenging operating environment. Meanwhile, we will continue with our solid and proven strategy to strengthen our presence in the market, while solidifying our position with uncompromised quality and services. We are dedicated to providing quality feed and technical services to assist customers to reach their full potential. The goal is to keep farmers on the cutting edge of new food technologies and programs that will maximise the value of the produce they grow.

CONSUMER PRODUCTS

The Group's fast-moving consumer goods (FMCG) business comprises the marketing and distribution of in-house and agency products. Over the years it has grown to include bakery and food processing. Our key in-house products are known for their high quality, consistency and reliability.

Our products are highly visible on the shelves of hypermarkets, supermarkets, retail and neighbourhood stores witnessing a strong and steady shelf off-take. With extensive marketing and distribution channels, including integrated warehouses in Peninsular Malaysia and East Malaysia, we have a reach of 42,000 outlets in total.

HIGHLIGHTS IN 2017



In Peninsular Malaysia and East Malaysia, we have a reach of **42,000 outlets** in total.

In-house brands	Products
Anchor	Packaged flour
Blue Key	Packaged flour
Muhibah	Packaged flour (<i>distributed in East Malaysia only</i>)
Massimo	Bakery products
Blue Team	Shortening & margarine
Neptune	Blended cooking oil
Seri Murni	Double-fractionated 100% palm-based vegetable oil
Krystal	100% pure corn oil/sunflower oil/canola oil
Marina	Canned sardines/tuna/baked beans/peas
Marina	Frozen food (nuggets/sausages/beef balls/square burgers/chicken burgers/chicken fries)
Seri Murni	Premium/standard eggs
Shamu	Canned nata de coco in syrup, pink guava & mango juice

Our bakery business is particularly associated with our household brand, Massimo. Massimo sandwich loaves, cakes and cream rolls have enjoyed encouraging growth in the commercial bakery market.

Managing Director's Review

Our presence in the chilled and frozen segment via our Marina brand of chicken nuggets, frankfurters, meat burgers, etc has increasing appeal amongst Malaysians who are looking for healthier and convenient food options.

New Brands and Products to Ensure Sustainability

The introduction of new products and brands is a way to ensure sustainability. In 2017, we launched five new products, namely Massimo Chiffon in a Cup – Cheese flavour; Kart's Wholemeal Pau with Wheat Germ; Kart's Puffy Pie; V-Soy Golden Grain soybean milk and Snow Maternity Milk, to cater to the rising trend for healthier products. In January 2018, we added a new bakery product, Massimo Ricco Chocolate and will continue to expand our product formats even further.

A new RM20 million production facility is being built in Pulau Indah to support the expansion of our 45%-owned associate, Kart Food Industries Sdn Bhd which will allow us to grow our frozen food business. This will not only increase our visibility in our current retail channels but will enable us to extend our services to the HORECA (Hotel, Restaurants and Catering) sector.



Managing Director's Review



4DX Hall in GSC Paradigm Mall, Johor Bahru.

FILM EXHIBITION & DISTRIBUTION

Golden Screen Cinemas Sdn Bhd ("GSC") is the largest cinema exhibitor in Malaysia with over 40% market share. Cinema-going is a lifestyle activity for Malaysians, and over the years the Group has built the GSC brand to a leading position in the country through understanding the needs and expectations of movie-goers, and being at the forefront of the latest audio and visual technology to provide an immersive cinematic experience.

Our distribution arm, GSC Movies Sdn Bhd, is the largest independent distributor of Chinese, English and Malay language films in Malaysia. GSC Movies acquires and distributes content in all languages for cinema, home and on-the-go entertainment for the Malaysian and Indochinese markets. Over the last few years, GSC Movies has also diversified into co-production of local movies, one of which was the blockbuster "Ola Bola".

Through GSC Vietnam Limited, the Group owns 40% equity interest in Galaxy Studio Joint Stock Company ("Galaxy Studio"), which operates the Galaxy brand of cinemas in Vietnam.

HIGHLIGHTS IN 2017



Our distribution arm, **GSC Movies Sdn Bhd**, is the largest independent distributor of Chinese, English and Malay language films in Malaysia.



Group owns **40%** equity interest in **Galaxy Studio Joint Stock Company (Galaxy Studio)**, which operates the Galaxy brand of cinemas in Vietnam.

Managing Director's Review



Hall 4 in GSC Klang Parade.

Technology Advances draw Audiences

The GSC chain added three new cinemas with a total of 39 screens in 2017 and they are GSC MyTown, Cheras; GSC Melawati Mall, Taman Melawati and GSC Paradigm Mall, Johor Bahru. With these additions, GSC now has 344 digital screens in 36 locations across Malaysia with a total of 52,257 seats.

In Vietnam, Galaxy Studio opened six new cinemas in 2017 with a total of 39 screens expanding its operations to 13 locations totalling 82 screens.

To maintain its premier brand position, GSC continually invests in new technologies and innovative services to not only meet customer expectations but lead them to a more immersive cinematic experience. Besides the Dolby Atmos surround sound technology, we have installed D-Box motion seats which are synchronised with the on-screen action. GSC introduced the first 4DX hall in Malaysia at its latest cinema in GSC Paradigm Mall, bringing movies to life with its motion-activated seats and environmental effects like wind, fog and rain, lightning and scents, to deliver a multi-sensory experience.

GSC continuously innovates to improve movie-goers' experience with the convenient mobile App for iPhone and Android, e-voucher facility for corporate clients and e-combo initiatives.

Our ever-evolving innovation and movie-experience technologies gained us the Gold Award at the Putra Brand Awards 2017 under the Entertainment Category for four consecutive years which then won us the Putra Brand Icon Award at the same event.

New Ventures and Entertainment Channels Compete for Business

Recognising stiff competition and overcrowding in the cinema sector, GSC has become more discerning on locations, focusing only on strategic sites and under-screened markets for better growth prospects. We are also increasingly facing competition from alternative entertainment media with advancing penetration of the internet, broadband and streaming services, a threat not to be taken lightly. However, we are ready to address these threats and are optimistic that our commitment to technological innovation and providing enriching and holistic cinematic experience will enable us to continue to benefit from the enduring popularity of cinema-going with youths today.

Improving the Cinema Experience

For 2018, GSC has allocated more than RM21 million to continue to enhance the movie-going experience and we will focus on upgrading and refurbishing our key cinemas. In Vietnam, we are targeting to open five cinemas totalling 26 screens to tap the growing market there.

Managing Director's Review

ENVIRONMENTAL ENGINEERING & UTILITIES

The ChemQuest Sdn Bhd ("CQ") Group is a leading provider of innovative solutions, advanced technologies and professional management for the water and sewage industry.



Batu Kitang Water Treatment Plant in Kuching with a treatment capacity of 100,000m³/day.

The CQ Group is also engaged in solid waste collection and disposal services for the industrial and commercial sectors in the central and southern regions of Peninsular Malaysia. Through an associate, it is a member of the concessionaire operating sanitary landfills in the state of Selangor. To date, the CQ Group has successfully constructed and commissioned more than 120 water and sewage projects with a combined contract value of over RM2.3 billion.

In 2017, the CQ Group successfully completed two sewage projects, namely the design and construction of sewage pipeline and network pumping stations for Petaling Jaya South; and network pumping stations for Petaling Jaya North with a combined contract sum of RM160 million. The CQ Group has also secured three water and sewage projects, viz construction of a booster pump station for the Layang-Layang Water Supply Scheme in Johor; upgrading of the sewage treatment plant for i-City in Selangor; and the design and construction of the Labohan Dagang Water Treatment Plant, with a total value of RM230 million. CQ Group's order book stood at RM270 million for engineering projects as at 31 December 2017.

Green Energy Projects for the Future

Water and sewage are mandatory services and the CQ Group is optimistic that it has the financial strength, technological know-how and price competitiveness to continue securing projects locally and overseas. It is currently pursuing prospective projects valued at approximately RM500 million in the water and sewage industries in Malaysia and hopes to crystallise some of these projects during the year. CQ also sees future potential in green energy projects such as large scale solar plants and water reclamation plants and is looking towards Indonesia as a potential overseas market.

Plans to Expand Beyond Malaysia

With the track record of experience acquired by the CQ Group over the years, it intends to bring its know-how and technology to emerging markets in the region. The CQ Group enjoys a strong reputation as a reliable and dependable partner and total solutions provider for water and sewage projects and has an established track record. We are therefore well-positioned to expand beyond Malaysia to the Asia Pacific region, leveraging on our strong financial standing, reputation and network.

HIGHLIGHTS IN 2017



The Group has successfully constructed and commissioned more than **120 water and sewage** projects with a combined contract value of over **RM2.3 billion.**



CQ Group's order book stood at **RM270 million** for engineering projects as at **31 December 2017.**

Managing Director's Review



PROPERTY

In the property development, investment and project management sectors, the Group has built a name as a reputable and reliable developer, owner and operator of commercial and retail properties. While the Group is not a large scale player, it has maintained an interest in niche retail, commercial, and residential developments. The Group's residential developments focus on building quality and lifestyle homes.

Today, several of the Group's investment properties are identifiable landmarks in bustling and established communities in Kuala Lumpur and Penang. These are Cheras LeisureMall and Cheras Plaza in Taman Segar, Cheras; New World Park and The Whiteaways Arcade in Penang; and the Damansara Jaya shoplots in Petaling Jaya.

In 2017, the Group successfully completed the extension and refurbishment of Cheras LeisureMall, a 24-year-old shopping mall owned and managed by PPB. The extension added 15,000 sq ft of net lettable area to offer a greater variety of retail and F&B choices for customers. A new link bridge and revamped mall space leading to the Taman Mutiara MRT station were constructed and officially launched on 26 January 2018. In Georgetown, Penang, the Group embarked on the refurbishment of New World Park to enhance the facilities for tenants and visitors. The Group saw the soft launch in November 2017 of Megah Rise, a mixed development in Taman Megah, Petaling Jaya comprising 228 condominium units and a retail podium.

HIGHLIGHTS IN 2017



The Group saw the soft launch in November 2017 of **Megah Rise**, a mixed development in Taman Megah, Petaling Jaya.



The Group successfully completed the extension and refurbishment of **Cheras LeisureMall**, a 24-year-old shopping mall owned and managed by PPB.

Managing Director's Review

Despite the soft property market, our introduction of innovative developments, and sound project implementation continue to attract interest. We maintain close and personal relationship with our buyers and tenants keeping them abreast of the progress of on-going developments. Though we expect the year ahead to remain challenging we believe our niche approach justifies our plans to launch Phases 3 and 4 of our residential developments in Seberang Jaya, Penang and Bedong, Kedah. The Group's approach to residential developments is based on the principle of value in providing quality homes.

Attracting the "Wait and See" Purchasers

The weak property market coupled with the tightening criteria for housing loans and mortgages have further affected the residential market. The fall in the Consumer Sentiments Index is an additional indication that potential buyers are adopting a cautious 'wait and see' approach to property investment, although affordable homes in good locations remain in demand. We are of the view that property investment and rental markets are cyclical and to prevail, we must have the determination to be strategic and capitalise on our strengths when the market recovers. Our strategy for maintaining our strong position in the industry includes continuous innovation in the development, planning and implementation of our projects to drive revenue and profitability while delivering quality residential, commercial and retail properties on time and within budget.

FINANCIAL REVIEW

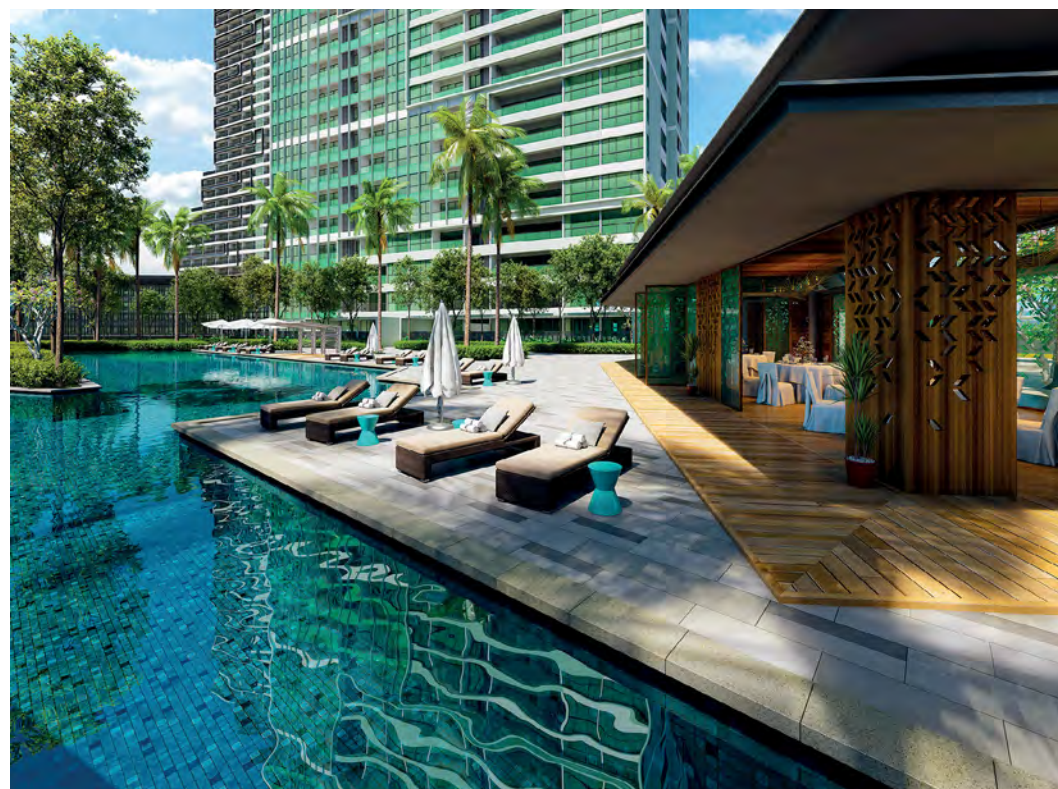
Group Financial Performance

	2017 RM'000	2016 RM'000
Revenue	4,305,051	4,186,376
Profit before tax	1,293,147	1,211,110
Profit attributable to shareholders	1,205,447	1,044,993
Earnings per share (sen)	101.68	88.15

In FY2017, Group revenue increased by 3% to RM 4.31 billion, primarily driven by higher revenue generated from the *Grains & Agribusiness*, *Consumer Products*, *Film Exhibition & Distribution* segments while the *Environmental Engineering & Utilities*, and *Property* segments delivered lower revenue.

Profit before tax for the Group increased by 7% to RM1.29 billion in 2017 mainly attributable to a significant increase in contribution from Wilmar, which recorded a net profit of USD1.23 billion (FY2016: USD 0.98 billion).

Profit attributable to shareholders was at RM1.21 billion, translated to earnings per share of 101.68 sen (FY2016: 88.15 sen).



Managing Director's Review

BUSINESS SEGMENTS' FINANCIAL PERFORMANCE



GRAINS & AGRIBUSINESS

	2017 RM'000	2016 RM'000
Segment revenue	3,013,873	2,864,377
Segment results	135,887	267,209

Segment revenue increased by 5% to RM3.01 billion in 2017 (FY2016: RM2.86 billion). Revenue growth was attributable to the increase in flour sales volume in Vietnam and Malaysia, coupled with increase in both feed sales volume and selling prices in Malaysia. However, average selling prices of flour in Vietnam and Malaysia were marginally lower due to competition.

Our mill in Indonesia recorded lower revenue as a result of lower flour selling price and sales volume.

With a lower profit margin for flour, segment profit decreased to RM135.9 million from RM267.2 million a year ago.



CONSUMER PRODUCTS

	2017 RM'000	2016 RM'000
Segment revenue	685,348	625,769
Segment results	30,225	22,009

Segment revenue grew by 10% to RM685.3 million for FY2017, attributed to higher revenue from edible oils, bakery products as well as sales of in-house and agency products.

Segment profit increased by 37% to RM30.2 million (FY2016: RM22.0 million), mainly attributed to a gain on sale of land and building of RM8.3 million recorded during the financial year.



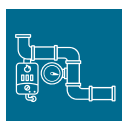
FILM EXHIBITION & DISTRIBUTION

	2017 RM'000	2016 RM'000
Segment revenue	481,301	468,493
Segment results	54,698	59,055

Segment revenue rose by 3% to RM481.3 million in FY2017 from RM468.5 million in FY2016. The higher segment revenue was contributed by the opening of new cinemas during the year coupled with improved box office, higher concession sales and screen advertising income.

Notwithstanding the higher revenue recorded in FY2017, segment profit was lower at RM54.7 million (FY2016: RM59.1 million) due mainly to lower admission rate and higher film exhibition operating costs.

Managing Director's Review



ENVIRONMENTAL ENGINEERING & UTILITIES

	2017 RM'000	2016 RM'000
Segment revenue	130,087	186,361
Segment results	6,369	6,151

FY2017 segment revenue was lower at RM130.1 million, 30% lower compared to the previous financial year. This was attributed to the completion of most of the environmental engineering projects secured prior to 2017 whilst new projects secured during the year has only began to contribute positively from the 4th quarter of 2017.

Segment profit increased by 4% to RM6.4 million (FY2016: RM6.2 million) due mainly to lower operating expenses.



PROPERTY

	2017 RM'000	2016 RM'000
Segment revenue	48,055	55,593
Segment results	4,644	18,013

The Property segment recorded a lower revenue of RM48.1 million in FY2017 compared with RM55.6 million recorded in FY2016. The lower revenue was attributable to lower rental income, lower project management fees and the completion of the Taman Tanah Aman project in FY2016.

Segment profit was lower at RM4.6 million in FY2017 compared with RM18.0 million recorded in FY2016 due mainly to lower revenue and higher operating costs.

Group Financial Position

	2017 RM'000	2016 RM'000
Total Assets	22,888,126	22,702,710
Total Liabilities	1,313,910	1,034,977
Net Assets per Share attributable to the owners of the parent (RM)	17.63	17.69

Total Assets increased marginally by 0.8% to RM22.9 billion as at 31 December 2017.

The increase was mainly attributed to:

- 1) Increase in fair value of other investments by RM281.8 million to RM722.2 million;
- 2) Increase in inventories by RM195.1 million to RM815.6 million; and
- 3) Higher cash and bank balances, deposits and short-term fund placements by RM0.16 billion to RM1.34 billion.

This was partially offset by a lower carrying value of the investment in associate by RM0.5 billion to RM17.2 billion. The reduction was mainly attributable to foreign exchange translation loss of the share of net assets in Wilmar from USD into RM.

Total Liabilities increased by 27.0% to RM1.31 billion as at 31 December 2017. The increase was mainly due to higher utilisation of short-term bank borrowings for working capital purposes.

Net Assets per Share stood at RM17.63 as at 31 December 2017.



FFM's storage warehouse in Pulau Indah.

Managing Director's Review

Group Cash Flows

	2017 RM'000	2016 RM'000
Net cash generated from/(used in) operating activities	(5,596)	382,084
Net cash generated from investing activities	233,221	133,533
Net cash used in financing activities	(52,077)	(538,273)

Net cash used in operating activities for FY2017 was at RM5.6 million compared with net cash generated of RM382.1 million in FY2016, this was due mainly to lower operating profit from core business segments and higher inventories.

For the FY2017, the Group generated higher net cash of RM233.2 million from investing activities as a result of a net repayment of loan and advances by associates of RM68.0 million as compared to additional advances to associates amounted to RM49.5 million in FY2016.

Net cash used in financing activities at RM52.1 million (FY2016: RM538.3 million), as mainly for dividend payments of RM296.4 million to our shareholders. This was offset by the Group's net drawdown in bank borrowings of RM300.3 million as compared to net repayment of RM219.8 million in FY2016.

Group Bank Borrowings

As at 31 December 2017, Group bank borrowings increased by RM252.7 million to RM780.7 million. 86.3% of the Group bank borrowings were in the form of bills payable and trade finance related facilities. The remaining 13.7% comprise of:

- current portion of long-term loans, revolving credits and overdrafts totaling RM71.0 million, repayable within 12 months; and
- long-term bank loans of RM36.0 million, repayable within 5 years.

90.3% of the Group's borrowings are unsecured which carry floating rate interest ranging from 1.77% to 9.25% per annum; of which, RM630.6 million are in foreign currencies, mainly denominated in USD.

Group Capital Expenditure

During the financial year ended 31 December 2017, the Group incurred total capital expenditure of RM193.2 million. Major areas of spend are as follows:

- RM88.1 million in Grains & Agribusiness segment, mainly for construction of new plants and upgrading of existing plants;
- RM65.4 million in Film Exhibition & Distribution segment, mainly for outfitting of new cinemas and upgrading of existing cinemas;
- RM20.2 million in Property segment, mainly for upgrading and refurbishment of investment properties; and
- RM13.6 million in Consumer Products segment, mainly for new production facility and delivery efficiency.

Managing Director's Review

ANALYSIS OF GROUP TOP RISKS

In a rapidly changing business environment, the identification and management of risks is important for the sustainability of a business, especially for a conglomerate like the PPB Group which has diverse businesses and stakeholders.

The Group has identified the following top four risks which must be managed to ensure its continued long-term success:

RELIANCE ON CERTAIN INCOME STREAMS

PPB Group is a conglomerate, which also has an 18.5% stake in Wilmar. Currently, it relies to a large extent on contributions from Wilmar and FFM Group to meet one of its key objectives, which is to reward shareholders with sustainable and consistent dividends. The Group has therefore been investing and expanding its other segments both domestically and overseas, and continually looking for investment opportunities to diversify its portfolio.

COMPLIANCE WITH REGULATORY REQUIREMENTS

PPB Group places high priority on ensuring compliance with relevant regulatory requirements. In view of recent updated and new legislations, the Group endeavours to create awareness and equip employees through relevant training, and through the engagement of external advisers or consultants for advice on compliance matters.

HEALTH AND SAFETY HAZARDS

The nature of certain business segment in the Group may expose our employees to health and safety hazards. To foster a safe and healthy work environment, we take a range of actions including ongoing safety awareness and training sessions for employees and other stakeholders, the formation of OSHA committees and the stringent enforcement of OSHA requirements.

FOREIGN EXCHANGE RISK

The fluctuation of the Ringgit has presented challenges to the PPB Group as most of the raw materials for the food processing and manufacturing segments, film rights purchases and overseas investments are denominated in foreign currencies. The Group monitors currency fluctuations closely and hedges part of its exposure; it also takes advantage of a natural hedge in view of the fact that some of its income are generated in foreign currencies.

GROUP OUTLOOK & PROSPECTS FOR 2018

In 2018, the Malaysian economy is projected to expand by 5.5% – 6.0%. Private sector expenditure will remain the key driver of growth, underpinned mainly by continued growth in wages and employment, business optimism and favourable demand. The external sector is expected to benefit from better global growth, and is likely to generate positive spillovers to domestic economic activity.

[Source: Bank Negara 2017]

Against the backdrop of positive growth momentum in the domestic and global economies, the Group's main business segments are expected to perform satisfactorily in 2018, and overall Group results will continue to be supported by all its business segments and investments.

PPB will turn 50 in 2018. We recognise that it has not been an easy journey and acknowledge that this success stands on the strength of the Group and the dedication of our people. We are confident that their continued support, loyalty and sound management in all our business segments, will sustain our successful momentum in the years ahead.

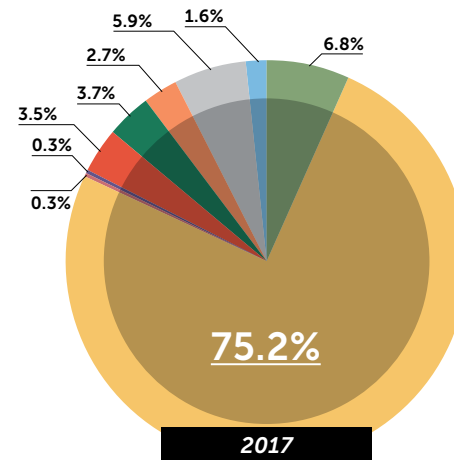
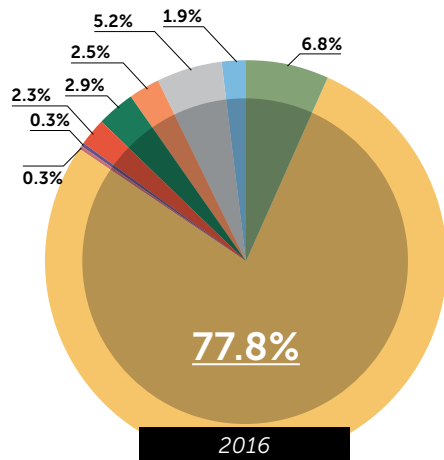
28 March 2018

Group Financial Highlights

		2017 RM Million	2016 RM Million	Change %
INCOME STATEMENT				
Revenue		4,305	4,186	2.8
Profit before tax		1,293	1,211	6.8
Profit for the year		1,239	1,107	11.9
Profit attributable to owners of the parent		1,205	1,045	15.3
STATEMENT OF FINANCIAL POSITION				
Equity attributable to owners of the parent		20,898	20,973	(0.4)
Total equity		21,574	21,668	(0.4)
RATIOS				
Return on net assets attributable to owners of the parent	(%)	5.77	4.98	
Earnings per share	(sen)	101.68	88.15	
Interest coverage	(times)	52.72	49.44	
Current ratio	(times)	2.66	3.27	
Total borrowings/Equity	(%)	3.62	2.44	
Long-term borrowings/Equity	(%)	0.17	0.34	
Net assets per share attributable to owners of the parent	(RM)	17.63	17.69	
Operating cash flow per share	(sen)	(0.51)	32.21	
PE ratio	(times)	16.96	17.99	
Net dividend per share	(sen)	30.00	25.00	
31 December closing price	(RM)	17.24	15.86	

Simplified Consolidated Statements of Financial Position

ASSETS



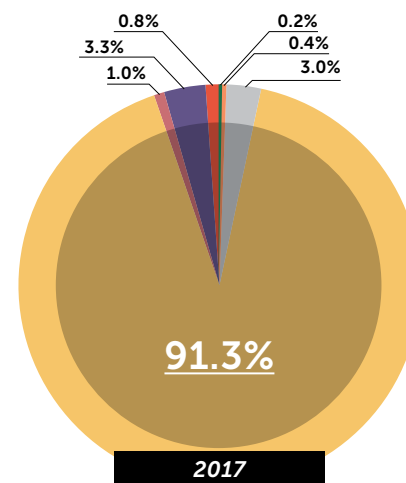
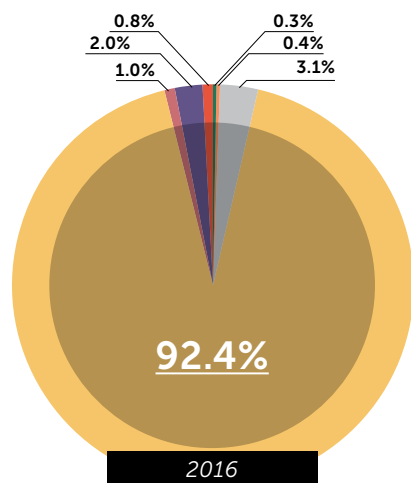
Non-current assets

- Property, plant and equipment, investment properties, biological assets and other intangible assets
- Associates
- Joint venture
- Goodwill
- Other non-current assets

Current assets

- Inventories, biological assets and other intangible assets
- Trade receivables
- Cash, bank balances, deposits and short-term fund placements
- Other current assets

EQUITY & LIABILITIES



Non-current liabilities & equity

- Long-term borrowings
- Other non-current liabilities
- Non-controlling interests
- Equity attributable to owners of the parent

Current liabilities

- Trade payables
- Short-term borrowings
- Other current liabilities

5-Year Group Financial Statistics

Year ended 31 December		2017	2016	2015	2014	2013
Revenue	RM Million	4,305	4,186	4,048	3,701	3,313
Share of net profits less losses of associates	RM Million	1,053	830	790	719	786
Profit before tax	RM Million	1,293	1,211	1,181	1,028	1,063
Profit for the year	RM Million	1,239	1,107	1,076	939	991
Net dividend for the financial year	RM Million	356	296	296	273	296
ISSUED SHARE CAPITAL						
Issued share capital	RM Million	1,192	1,186	1,186	1,186	1,186
Equity attributable to owners of the parent	RM Million	20,898	20,973	19,917	16,820	15,653
Total equity and liabilities	RM Million	22,888	22,703	21,926	18,605	17,065
Earnings per share	Sen	101.68	88.15	88.68	77.33	82.88
FTSE BURSA KLCI QUOTES						
Year high	RM	17.58	16.86	16.20	16.68	16.14
Year low	RM	15.92	15.58	13.80	13.46	12.00
Year close	RM	17.24	15.86	15.90	14.30	16.14
No. of shareholders		8,821	9,073	9,236	9,868	10,242

5-Year Group Financial Statistics

5-YEAR STATISTICS HIGHLIGHTS

Revenue

RM Billion



PERFORMANCE COMPARED TO 2016

increased to
RM 4.3 billion

Profit before tax

RM Billion



PERFORMANCE COMPARED TO 2016

increased to
RM 1.3 billion

Equity attributable to owners of the parent

RM Billion

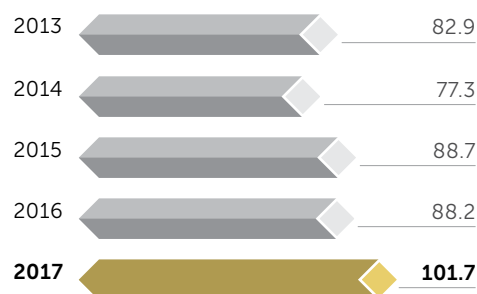


PERFORMANCE COMPARED TO 2016

decreased to
RM 20.9 billion

Earnings per share

Sen



PERFORMANCE COMPARED TO 2016

increased to
101.7 sen

Net assets per share attributable to owners of the parent

RM

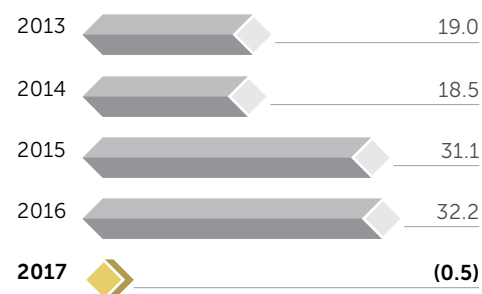


PERFORMANCE COMPARED TO 2016

decreased to
RM 17.6

Operating cash flow per share

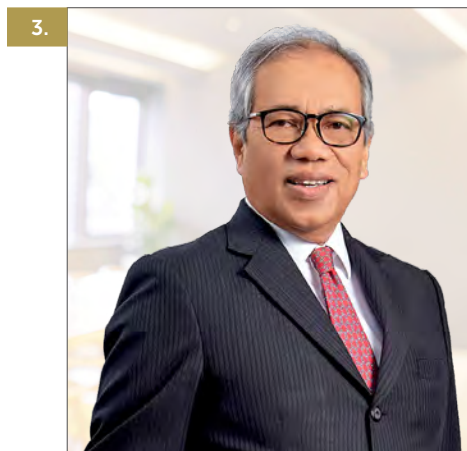
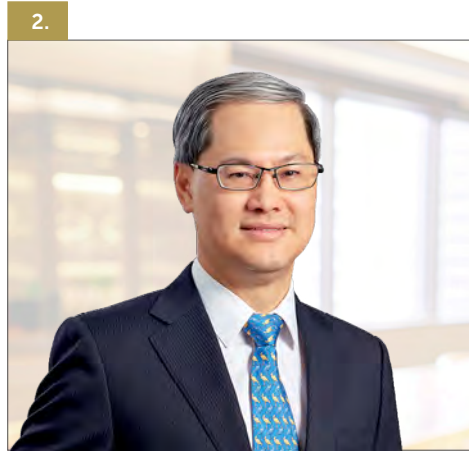
Sen



PERFORMANCE COMPARED TO 2016

decreased to
-0.5 sen

Board of Directors



DIRECTORS

1. TAN SRI DATUK OH SIEW NAM

4. DATUK ONG HUNG HOCK

6. ENCIK AHMAD RIZA BIN BASIR

2. MR LIM SOON HUAT

5. MR SOH CHIN TECK

7. MADAM TAM CHIEW LIN

3. DATO' CAPT AHMAD SUFIAN
@ QURNAIN BIN ABDUL RASHID

Directors' Profiles

01

TAN SRI DATUK OH SIEW NAM

Chairman

- *Non-independent Non-executive Director*
- *Member of Remuneration Committee*

Age/Gender

79/Male

Date of Appointment

Director - 2 March 1988
Executive Chairman - 1 July 2004
Chairman - 1 February 2008

Qualifications and Experience

- Bachelor of Engineering (Honours) degree in Electrical Engineering from the University of Canterbury, New Zealand.
- Assistant Controller of Telecom Malaysia for 5 years before joining FFM Berhad ("FFM") Group in 1968.
- Managing Director of FFM from 1982 to 2002, and Executive Chairman from 2002 to 2006.
- Board member of Bank Negara Malaysia from 1989 to 2015.
- Served as a member of the Capital Issues Committee and the National Economic Consultative Council II (MAPEN II).
- Chairman of PPB Oil Palms Berhad from 2004 to 2007.

Other Directorships in Public Companies and Listed Issuers

Kuok Foundation Berhad

02

MR LIM SOON HUAT

Managing Director

- *Non-independent Executive Director*

Age/Gender

53/Male

Date of Appointment

Director - 29 May 2008
Managing Director - 1 July 2012

Qualifications and Experience

- Bachelor of Science (Honours) degree in Statistics from Universiti Kebangsaan Malaysia.
- Many years of management experience in the field of finance, commodities trading, consumer goods manufacturing and marketing, hotel investments, sugar cane plantation and sugar milling operation.
- Held various senior executive positions in the Kuok group of companies in Singapore, Thailand, Hong Kong, China and Indonesia.

Other Directorships in Public Companies and Listed Issuers

Malaysian Bulk Carriers Berhad
 Ponderosa Golf & Country Resort Berhad

Directors' Profiles

03

DATO' CAPT AHMAD SUFIAN @ QURNAIN BIN ABDUL RASHID

Independent Non-executive Director

- Chairman of Remuneration Committee
- Member of Audit Committee

Age/Gender

68/Male

Date of Appointment

22 June 2009

Qualifications and Experience

- Qualified as a Master Mariner with a Masters Foreign-going Certificate of Competency from the United Kingdom in 1974.
- Diploma in Applied International Management from the Swedish Institute of Management.
- Attended the Advanced Management Program at Harvard University.
- Fellow of the Chartered Institute of Logistics and Transport and the Institut Kelautan Malaysia.
- Has over 45 years experience in the international maritime industry.

Other Directorships in Public Companies and Listed Issuers

Malaysian Bulk Carriers Berhad
GD Express Carrier Berhad

04

DATUK ONG HUNG HOCK

Non-independent Non-executive Director

- Member of Nomination Committee

Age/Gender

64/Male

Date of Appointment

1 July 2012

Qualifications and Experience

- Bachelor of Arts (Honours), University of Malaya.
- Held executive positions in marketing in various companies before joining FFM Berhad ("FFM") group in 1980.
- Managing Director of FFM Marketing Sdn Bhd ("FMSB") from 1998 to 2008, and Executive Chairman from 2008 to 2011. Presently Chairman of FMSB.
- Appointed as director of FFM in October 2004 and has been Managing Director of FFM since March 2011.

Other Directorships in Public Companies and Listed Issuers

FFM Berhad

05

MR SOH CHIN TECK

Independent Non-executive Director

- Chairman of Audit Committee
- Member of Nomination Committee

Age/Gender

60/Male

Date of Appointment

8 October 2012

Qualifications and Experience

- Bachelor of Economics, Monash University, Melbourne, Australia.
- Masters in Business Administration – International Management, RMIT University, Australia.
- Fellow member of the Institute of Chartered Accountants Australia.
- Member of the Malaysian Institute of Accountants.
- Member of the Australian Institute of Company Directors.
- More than 13 years audit experience and held various senior positions in member firms of Deloitte in Singapore, Sydney and Kuala Lumpur.
- Former Executive Director and General Manager of CSR Building Materials (M) Sdn Bhd.
- Former Business Director and board member of Rockwool Malaysia Sdn Bhd.
- Former Chairman of FMM-Malaysian Insulation Manufacturers Group.
- Former Deputy Managing Director of Saint-Gobain Malaysia Sdn Bhd.

Other Directorships in Public Companies and Listed Issuers

Nil

Directors' Profiles

06

ENCIK AHMAD RIZA BIN BASIR

Independent Non-executive Director

- Chairman of Nomination Committee

Age/Gender

57/Male

Date of Appointment

25 July 2013

Qualifications and Experience

- Bachelor of Law (Honours), University of Hertfordshire, United Kingdom.
- Barrister-at-Law (Lincoln's Inn), London.
- Called to the Malaysian Bar in 1986.
- Former partner of the law firm, Riza, Leong & Partners.
- Former Managing Director of Kumpulan FIMA Berhad.
- Former director of Jerneh Asia Berhad (now known as JAB Capital Berhad) from 1996 to 2012.
- Independent director of United Plantations Berhad since 2000.

Other Directorships in Public Companies and Listed Issuers

United Plantations Berhad

07

MADAM TAM CHIEW LIN

Independent Non-executive Director

- Member of Audit Committee
- Member of Remuneration Committee

Age/Gender

67/Female

Date of Appointment

25 July 2013

Qualifications and Experience

- Fellow member of the Institute of Chartered Accountants in England and Wales (1975).
- Chartered Accountant – Malaysian Institute of Accountants
- Public Accountant – Malaysian Institute of Certified Public Accountants.
- Diploma in Applied International Management – Swedish Institute of Management.
- Postgraduate Certificate in Banking and Finance – University of Wales, Bangor.
- Appointed as director of Jerneh Asia Berhad (now known as JAB Capital Berhad ("JAB")) in 1996; and subsequently appointed as Executive Director in 2000.
- Appointed as Managing Director of JAB group of companies from 2005 until her retirement at end-2012.
- Held various positions in the IMC group of companies from 1991 to 2000.

Other Directorships in Public Companies and Listed Issuers

JAB Capital Berhad
MPI Generali Insurans Berhad

NOTES

1. All the Directors are Malaysians.
2. None of the Directors has any family relationship with any other Director and/or major shareholder of the Company, nor any conflict of interest with the Company.
3. Other than traffic offences, none of the Directors had any convictions for any offences within the past five years, or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Key Senior Management Team



MANAGEMENT TEAM MEMBERS

- | | | |
|--|--|---|
| <p>1. MR LIM SOON HUAT
Please refer to page 37</p> | <p>4. MS KOH MEI LEE
<i>Chief Executive of Golden Screen Cinemas Group & Head of Corporate Affairs of PPB Group Berhad</i></p> | <p>6. MS YAP CHOI FOONG
<i>Chief Financial Officer of PPB Group Berhad</i></p> |
| <p>2. DATUK ONG HUNG HOCK
Please refer to page 38</p> | <p>5. MR CHEW HWEI YEOW
<i>Chief Operating Officer (Properties) of PPB Group Berhad & Chief Operating Officer of PPB Property Development Sdn Bhd</i></p> | <p>7. MR MAH TECK KEONG
<i>Company Secretary of PPB Group Berhad</i></p> |
| <p>3. IR LEONG YEW WENG
<i>Managing Director of Chemquest Sdn Bhd</i></p> | | |

Key Senior Management Team

<p>3.</p> <p>IR LEONG YEW WENG <i>Managing Director of Chemquest Sdn Bhd</i></p> <hr/> <p>Year Of Joining PPB Group 1993</p> <p>Age/Gender 58/Male</p> <p>Date Appointed To The Key Senior Management Position 7 June 2005</p> <p>Qualifications And Experience</p> <ul style="list-style-type: none"> • Bachelor of Engineering (Honours) degree in Electrical Engineering from the University of Liverpool. • Masters of Business Administration from Brunel, University of London. • Registered Professional Engineer with Practising Certificate (PE) with Board of Engineers. • Member of the Malaysian Institute of Engineers. • Attached with Behn Meyer and Esso Production Malaysia Inc in the early 1980s. Held numerous management positions and served overseas assignments in Europe and Asia. • Joined the Group as CEO of CWM Group Sdn Bhd in 1993. • Appointed as Managing Director of Chemquest Sdn Bhd since 2005. • Has accumulated more than 30 years of experience in engineering, procurement and construction, business development and corporate management in the Power, Oil & Gas, Infrastructure, Utilities and Environmental Engineering industries. 	<p>4.</p> <p>MS KOH MEI LEE <i>Chief Executive of Golden Screen Cinemas Group & Head of Corporate Affairs of PPB Group Berhad</i></p> <hr/> <p>Year Of Joining PPB Group 1990</p> <p>Age/Gender 52/Female</p> <p>Date Appointed To The Key Senior Management Position 1 January 2002</p> <p>Qualifications And Experience</p> <ul style="list-style-type: none"> • Bachelor of Business Administration degree (Summa Cum Laude) from the University of Montevallo, USA. • Oversees the corporate affairs and investor relations of PPB Group as well as the Group's leisure operations. 	<p>5.</p> <p>MR CHEW HWEI YEOW <i>Chief Operating Officer (Properties) of PPB Group Berhad & Chief Operating Officer of PPB Property Development Sdn Bhd</i></p> <hr/> <p>Year Of Joining PPB Group 2013</p> <p>Age/Gender 55/Male</p> <p>Date Appointed To The Key Senior Management Position 13 March 2013</p> <p>Qualifications And Experience</p> <ul style="list-style-type: none"> • Bachelor of Engineering, University of Adelaide, South Australia. • Experience in diverse industries namely, trading, property, hotel and construction prior to joining PPB Group.
<p>NOTES</p> <ol style="list-style-type: none"> 1. All the members of the key senior management team are Malaysians. 2. None of the key senior management team held any directorships in public companies or listed issuers. 3. None of the key senior management team has any relationship with any director and/or major shareholder of PPB, nor any conflict of interest with the Company. 4. Other than traffic offences, none of the key senior management team had any convictions for any offences within the past five years, or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. 	<p>6.</p> <p>MS YAP CHOI FOONG <i>Chief Financial Officer of PPB Group Berhad</i></p> <hr/> <p>Year Of Joining PPB Group 2017</p> <p>Age/Gender 53/Female</p> <p>Date Appointed To The Key Senior Management Position 1 November 2017</p> <p>Qualifications And Experience</p> <ul style="list-style-type: none"> • Fellow member of the Association of Chartered Certified Accountants, United Kingdom. • Prior to joining PPB Group Berhad as Head of Corporate Strategy and Planning in March 2017, she was the Group Chief Financial Officer of RHB Banking Group. • Has over 28 years working experience in auditing, finance and accounting, corporate and business planning, merger and acquisition integration. 	<p>7.</p> <p>MR MAH TECK KEONG <i>Company Secretary of PPB Group Berhad</i></p> <hr/> <p>Year Of Joining PPB Group 1989</p> <p>Age/Gender 55/Male</p> <p>Date Appointed To The Key Senior Management Position 27 November 2008</p> <p>Qualifications And Experience</p> <ul style="list-style-type: none"> • Associate member of The Malaysian Institute of Chartered Secretaries and Administrators. • Oversees the corporate secretarial matters of PPB various subsidiaries and other affiliated companies.

Corporate Governance Overview Statement

This Corporate Governance Overview Statement (“CGS”) provides a summary of the corporate governance practices of PPB Group Berhad (“PPB”) and its subsidiaries (“Group”) during the financial year ended 31 December 2017 (“FYE2017”) with reference to the three Principles in the Malaysian Code on Corporate Governance (“MCCG”), viz:

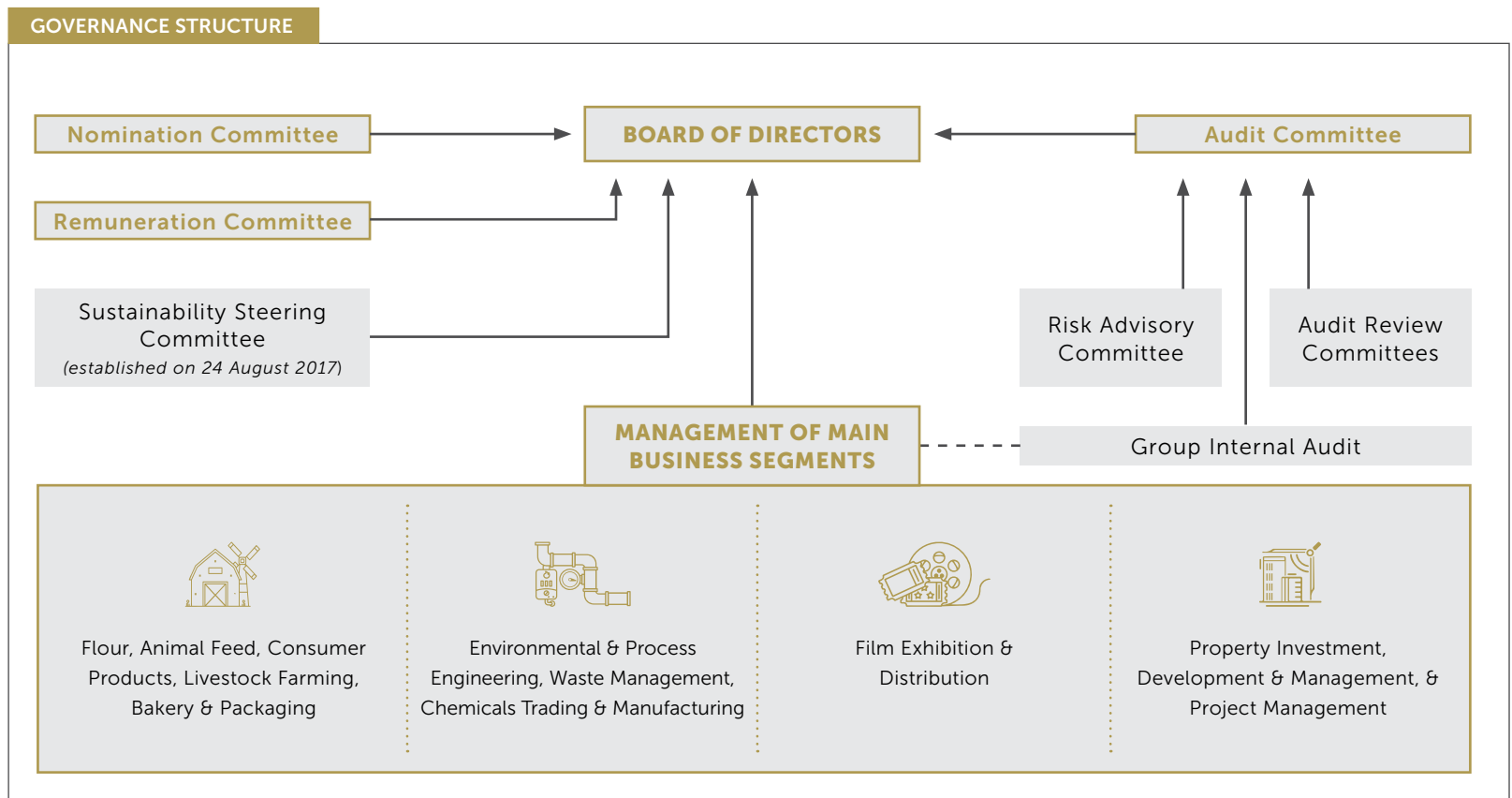
- (a) board leadership and effectiveness;
- (b) effective audit and risk management; and
- (c) integrity in corporate reporting and meaningful relationship with stakeholders.

It also highlights key focus areas and future priorities in relation to our corporate governance practices.

This statement should be read together with the Company’s Corporate Governance Report (“CGR”) for FYE2017 which is based on a prescribed format to provide a more detailed description of the Group’s corporate governance practices vis-à-vis the MCCG. The CGR is available on the websites of Bursa Malaysia (<http://www.bursamalaysia.com>) and PPB (<https://www.ppbgroup.com>). The CGS should also be read in tandem with the other statements in the 2017 Annual Report, viz the Audit Committee Report, Statement on Risk Management and Internal Control, and Sustainability Statement.

The MCCG was released on 26 April 2017 and came into effect on the same date. During the year, the Board reviewed an analysis of the Group’s corporate governance practices vis-à-vis the practices and recommendations in the MCCG, and agreed that the Company would take appropriate action where applicable to comply with the provisions in the MCCG. A briefing on the MCCG was also held as part of the annual directors’ training session.

The Group’s governance structure during the year was as follows:



Corporate Governance Overview Statement

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The board charter (last updated in 2014) sets out matters reserved for the Board's decision and outlines the Board's roles and responsibilities. The schedule of matters for the Board's decision includes amongst others, the overall Group strategy and direction; major policies, board and board committee appointments; approval of financial statements, corporate plans and budgets, material acquisitions and disposals of assets, and major investments.

The Board is responsible for the overall performance and control of the Group, setting and reviewing the strategic direction of the Group, and monitoring the implementation by management of that strategy. Specific responsibilities are delegated to the three main Board committees, namely the Audit, Nomination and Remuneration Committees. These committees operate within Board-approved terms of reference, and have authority to examine issues and report to the Board with their findings and recommendations.

The roles of the Chairman and Managing Director are separate. The Chairman's responsibilities include overseeing the governance process, as well as represent the Board to shareholders.

The Managing Director is responsible for overseeing the development and operations of the Group's businesses, and implementing corporate strategies and objectives adopted by the Board.

The Board sets the minimum standards of conduct and personal behaviour, and to maintain a uniform set of values and ethics within the Group, a Group-wide code of ethics and code of conduct has been adopted and embedded in the respective Group employee handbooks. The codes are being reviewed and will be strengthened/expanded if necessary. A whistleblower policy was adopted by the Company in 2015 which is also incorporated in the employee handbook. This was progressively adopted by the respective business units throughout the Group.

In exercising their duties, directors have access to information within the Company and the support of the company secretary. The company secretary also updates directors on statutory and regulatory requirements relating to the discharge of their duties and responsibilities.

During the year ended 31 December 2017, the Board met five times and the record of the attendance of each Director is set out below:

Name of Director	Number of meetings attended	% of attendance
Tan Sri Datuk Oh Siew Nam	5	100
Lim Soon Huat	5	100
Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	5	100
Datuk Ong Hung Hock	5	100
Soh Chin Teck	5	100
Ahmad Riza bin Basir	5	100
Tam Chiew Lin	5	100

Board Composition

The Board comprises a majority of independent directors since 1 December 2017. Of the seven directors on the Board, four are independent. The remainder of the Board comprises two non-independent non-executive directors, and the Managing Director.

The independent directors are able to carry out their duties and express their views unfettered by familiarity, or business or other relationships. They provide skills, competencies as well as broader views to enhance the Board's effectiveness.

The board has agreed that annual shareholders' approval be sought to extend the tenure of any director who has served for more than nine years as an independent director. Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid's tenure as an independent director would exceed nine years after 22 June 2018. The Nomination Committee ("NC") and the Board are satisfied that Dato' Sufian is able to exercise independent judgment and act in the best interests of the Company, and have agreed to recommend the extension of Dato' Sufian's term as an independent director beyond the completion of his nine-year tenure, for shareholders' approval at the 49th Annual General Meeting ("AGM") of the Company to be held on 15 May 2018.

The Board strives to achieve a balance and mix of skills, experience and perspectives amongst its directors, to collectively bring a range of experience, business, financial and technical expertise for effective oversight of the Group's diversified businesses, and fulfill the Board's duties and responsibilities.

Corporate Governance Overview Statement

The NC also reviews annually the training undertaken by Directors and recommends topics which are relevant or of interest to the Board to keep abreast with business and regulatory developments. In 2017, the Directors attended PPB’s annual in-house training session for directors and senior management, and the topics selected were relevant and of interest to the Group and the Directors which included the following:

- Briefing on the Malaysian Code on Corporate Governance
- Business continuity management
- Cyber-security and building cyber resilience

In addition to the above, Directors also attended other training sessions during the year:

Name of Director	Title/Subject
Mr Lim Soon Huat	<ul style="list-style-type: none"> • Corporate governance breakfast series: Leading in a volatile, uncertain, complex, ambiguous (VUCA) World
Mr Soh Chin Teck	<ul style="list-style-type: none"> • Fraud Risk Management workshop • Independent Directors’ programme: The essence of independence
Dato’ Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	<ul style="list-style-type: none"> • 2017 National Conference – Audit Committee Leadership Track • Effective Audit & Risk Management
Madam Tam Chiew Lin	<ul style="list-style-type: none"> • Sustainability forum for directors/CEOs: The velocity for global change & sustainability – The new business model • Companies Act, 2016 vis-à-vis Malaysian Companies Law • The FIDE Elective programme – Current issues in corporate governance • Corporate income tax, transfer pricing and GST: Tax audits and updates • 2017 National Conference – Audit Committee Leadership Track • Corporate governance breakfast series: Leading in a volatile, uncertain, complex, ambiguous (VUCA) World
Encik Ahmad Riza bin Basir	<ul style="list-style-type: none"> • 2017 National Conference – Audit Committee Leadership Track • Assessment of the board, board committees and individual directors – Taking stock of performance • The Companies Act 2016 – Key changes and implications to directors and management • Audit Committee Conference 2017

The criteria for the evaluation of candidates for appointment as directors (and senior management positions) include their qualification, occupation, professional and business experience, and is subject to the Company/Group’s requirements and operating environment. Prospective candidates are not discriminated based on gender, age, cultural background etc.

The Group recognises the importance of identifying and developing potential leaders and managers to fill key positions (whether on the board or senior management) in the Company and Group, from both internal and external sources. This is an on-going process based on the Group’s short and longer term needs in terms of skills, expertise, knowledge and experience.

Board evaluation

Candidates for board appointments are reviewed by the NC before recommendation to the Board. The NC is chaired by Encik Ahmad Riza bin Basir, an independent director.

The NC reviews annually the Board size and composition, as well as the mix of Directors necessary for the successful direction of the Company and Group’s businesses. This includes an annual Board assessment, and an assessment of the independent directors, as well as an annual review of the Audit Committee. For the year under review, the Board is satisfied with the present number and composition of its members and is of the view that the Board had discharged its duties and responsibilities effectively with the current mix of skills, knowledge, experience and strengths.

Gender diversity

There is presently no formal gender diversity policy. The Board is of the opinion that it is important to recruit and retain the best available talent, taking into account the mix of skills, experience, knowledge and independence, and based on the Group’s needs and operating environment. Going forward, gender diversity will be one of the factors to be considered in evaluating prospective candidates when a board vacancy arises.

Corporate Governance Overview Statement

Remuneration

The Board reviews the overall remuneration of executive and non-executive directors to attract and retain directors with the relevant experience and expertise.

The Managing Director's remuneration is determined after taking into account his duties and responsibilities as Managing Director of PPB, his roles in various capacities in the main business units, and also the Group's performance for the year. For non-executive directors, the remuneration reflects their roles and responsibilities, and the recommendation thereof is a matter for the Board as a whole subject to shareholders' approval.

The details of the individual directors' remuneration paid/payable for FYE2017 on a Group and Company basis are set out below:

GROUP							
<i>Figures in RM'000</i>	Fees	Salary	Bonus	Meeting allowances	Benefits-in-kind	EPF*	Total
Executive Director							
Lim Soon Huat	22	985	1,600	1	24	413	3,045
Non-executive Directors							
Tan Sri Datuk Oh Siew Nam	505	-	-	6	27	-	538
Datuk Ong Hung Hock	80	1,044	1,400	6	47	147	2,724
Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	-	-	-	-	-	-	-
Soh Chin Teck	-	-	-	-	-	-	-
Ahmad Riza bin Basir	-	-	-	-	-	-	-
Tam Chiew Lin	-	-	-	-	-	-	-

COMPANY							
<i>Figures in RM'000</i>	Fees	Salary	Bonus	Meeting allowances	Benefits-in-kind	EPF*	Total
Executive Director							
Lim Soon Huat	-	985	1,600	1	24	413	3,023
Non-executive Directors							
Tan Sri Datuk Oh Siew Nam	505	-	-	6	27	-	538
Datuk Ong Hung Hock	75	-	-	6	-	-	81
Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	93	-	-	12	-	-	105
Soh Chin Teck	100	-	-	25	-	-	125
Ahmad Riza bin Basir	77	-	-	10	-	-	87
Tam Chiew Lin	90	-	-	15	-	-	105

* Employees Provident Fund

The remuneration of the top five senior management of the PPB Group (excluding those who are also Directors of PPB) paid/payable for FYE2017 on an aggregated basis in RM50,000 bands is as follows:

Remuneration bands	Number of senior management staff
RM1,050,001 – RM1,100,000	1
RM1,150,001 – RM1,200,000	1
RM1,200,001 – RM1,250,000	1
RM1,250,001 – RM1,300,000	1
RM1,350,001 – RM1,400,000	1

Corporate Governance Overview Statement

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE

The Audit Committee (“AC”) comprises entirely of independent directors; the AC Chairman is also separate from the Chairman of the Board.

The principal functions of the AC include the following:

- Ensure that the financial statements comply with applicable financial reporting standards, and to assess the suitability and independence of external auditors.
- Assess the adequacy and effectiveness of the Group’s enterprise-wide risk management and internal control framework.

The members of the AC possess a mix of skills, knowledge and experience to enable them to discharge their duties and responsibilities pursuant to the AC’s terms of reference. An annual self and peer evaluation of the AC is carried out and reviewed by the NC.

The Audit Committee Report on pages 48 to 51 of the annual report provides more details on the AC’s functions during the year.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Responsibility for ensuring a sound internal control system and reviewing the effectiveness of the system lies with the Board. The Group’s system of risk management and internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Company’s corporate objectives and safeguard the Group’s assets. It therefore provides reasonable but not absolute assurance against material misstatement, fraud or loss.

A risk management and internal control framework has been established which covers the Group’s risk assessment process and internal controls, with oversight and reporting on the effectiveness of this function. There were no significant risk management and internal control failings or weaknesses which resulted in material losses or contingencies during the financial year.

The Statement on Risk Management and Internal Control set out on pages 52 and 53 of the 2017 Annual Report provides a more detailed description of the state of risk management and internal controls.

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

COMMUNICATION WITH STAKEHOLDERS

PPB’s Corporate Disclosure Policy (“CDP”) sets out the disclosure policies and procedures, and provides a framework to communicate effectively with stakeholders and the public generally. The policy may be viewed at the Company’s website: <https://www.ppbgroup.com/investor-relations/corporate-disclosure-policy.php>

The Company seeks to provide stakeholders with timely, accurate, clear and equal access to material information on the Company’s performance and operations. The principal sources of information disseminated by the Company during the year include the annual report, quarterly investor updates, news releases and company website.

PPB’s investor relations programme is directed at both individual and institutional investors, the objective of which is to maintain ongoing awareness of the Company’s performance amongst shareholders, media and the investing community. This includes twice-yearly analyst briefings after the release of the half-yearly and final results together with media conferences. The Company also makes every attempt to meet requests for meetings or information from the investing community.

In respect of integrated reporting <IR>, the Board is of the opinion that there must be a sufficient timeframe for <IR> to be better understood and appreciated by management; and that there should be minimal duplication of the same information which is required to be disclosed pursuant to other legislation. The present contents of the annual report contain financial and non-financial information which may be considered to provide a fairly comprehensive overview of the Group. No timeframe has been fixed for the adoption of <IR> for the time being.

Corporate Governance Overview Statement

CONDUCT OF GENERAL MEETINGS

Meetings of the Company's shareholders have always been held in the Klang Valley, Peninsular Malaysia. The venue of the meeting is centrally located, accessible by public transport, and there is ample parking space in and around the premises.

The notice of the 49th AGM of the Company was sent to members 28 days before the meeting together with the 2017 Annual Report. The AGM notice sets out the resolutions to be tabled and includes explanatory notes and other relevant information on the matters to be discussed and decided at the AGM.

Shareholders can exercise their votes either in person, or appoint a representative or proxy to attend and vote on their behalf.

All Board members including the respective chairs of the various committees attend AGMs and are available to deal with any questions on matters under their purview. At the meetings, shareholders can express their views or raise questions relating to the Group's financial performance and business operations.

The Company will explore the use of technology to facilitate voting in absentia and/or remote shareholders' participation at general meetings, taking into consideration the accuracy and stability of such technologies, applicable laws and regulations, and resources required vis-à-vis the benefits.

FOCUS AREAS ON CORPORATE GOVERNANCE

The Group strategic plan is reviewed at intervals and updated to reflect changes relating to the Group's environmental influences, opportunities and concerns. The strategic plan was last reviewed and adopted in 2014, and the next review is tentatively scheduled in 2019 which will incorporate, inter alia economic, environmental and social considerations (ie sustainability).

The aforesaid review of the strategic plan is also intended to cover other governance areas such as the board charter, various policies and practices etc, as part of an overall exercise to align them with the latest regulatory and operating environment, based on a more holistic approach.

This statement is made in accordance with a resolution of the Board of Directors dated 28 March 2018.

Audit Committee Report

COMPOSITION

The members of the Audit Committee (“AC”) during the financial year ended (“FYE”) 31 December 2017 comprised the following Directors:

Name of AC member	Membership	Directorship
Mr Soh Chin Teck	Chairman	Independent Non-executive
Dato’ Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	Member	Independent Non-executive
Madam Tam Chiew Lin	Member	Independent Non-executive

MEETINGS

The number of AC meetings held in FYE 31 December 2017 and details of attendance of each committee member are as follows:

Name of AC member	No. of Audit Committee meetings	
	Held	Attended
Mr Soh Chin Teck	5	5
Dato’ Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	5	5
Madam Tam Chiew Lin	5	5

SUMMARY OF THE WORK OF THE AC

For FYE 31 December 2017, the AC performed the duties specified in its terms of reference as follows:

Financial reporting

- On the close of each quarter, the AC reviewed the quarterly financial statements of PPB Group Berhad (“PPB”). The Heads of Finance of the respective main subsidiary business unit presented their quarterly financial performance to the AC, followed by the Chief Financial Officer (“CFO”) of PPB who presented to the AC the consolidated financial statements. The CFO addressed all questions and/or concerns raised by the AC on the financial statements accordingly.
- At year end, the AC reviewed together with the CFO, the external auditors, Mazars PLT’s (“Mazars”) audit completion presentation on the 2017 PPB Group financial statements. The following were highlighted:
 - Key audit areas including Key Audit Matters (“KAM”) and their findings; and
 - Other audit areas, their findings and recommendations

The AC sought explanation on significant key audit areas and observations. The AC also reviewed and deliberated on the following KAM identified by Mazars to be included in the independent auditors’ report for FYE 2017:

- goodwill
 - investment in associates
- The AC reviewed with the CFO the audited financial statements of PPB and its subsidiaries (“Group”) for FYE 2017 and the following were highlighted:
 - Relevant amended Financial Reporting Standards (“FRS”) that are reflected in the audited financial statements
 - Significant accounting matters
 - Major assumptions relating to management judgements and estimates
 - Financial risk management objectives and policies

The CFO addressed all questions and/or concerns from the AC accordingly.

Audit Committee Report

External audit

4. The AC reviewed with Mazars the FYE 2017 audit plan which included the following:
 - Mazars' engagement team and scope of engagement;
 - Directors' responsibilities for the financial statements, including going concern, fraud, audit and other information in the annual report;
 - Auditors' responsibilities relating to the financial statements and other information;
 - An overview of Mazars' risk-based audit approach;
 - Relevant disclosures required under the new Companies Act 2016 which came into effect on 31 January 2017;
 - Recent developments of new and amended FRS.
 - The Group's key audit areas and audit time-table for 2017;
 - Mazars' independence policies and procedures. The audit engagement partner and manager responsible for the audit of the PPB Group financial statements have been rotated in accordance with Mazars' professional ethics and independence policies;
 - Audit on information technology ("IT") focusing on IT usage/applications with direct or significant impact on the financial statements;
 - Discussion with directors and management on fraud.
5. The AC met with Mazars on 22 November 2017 and 27 February 2018, without the presence of management. At these meetings representatives from Mazars (including the various audit managers engaged in the audit of the main business units) informed the AC that they had not encountered any problems, and are satisfied with the co-operation and support given by management and staff of the group in the course of their audit for FYE 2017.
6. The AC assessed the suitability and independence of Mazars based on a set of policies and procedures adopted in 2012, and discussed an 'External Auditor Performance and Independence Checklist' completed by Mazars. Mazars' statement on their independence as set out in their 2017 Audit Plan was also reviewed. Thereafter, the AC recommended that Mazars be nominated for re-appointment as auditors for the ensuing year.
7. At the AC meeting held on 27 February 2018, Mazars reported that they had substantially completed the Group audit for FYE 2017 with no major issues encountered and that they would be issuing an unqualified audit report on the consolidated financial statements. The unaudited financial statements was subsequently announced on 28 February 2018 to Bursa Malaysia Securities Berhad pursuant to Chapter 9 Appendix 9B of the Main Market Listing Requirements.
8. The AC reviewed with Mazars the results of their evaluation of Group's system of internal control as set out in their 2017 Audit Completion Report which included Mazars' recommendations for improvements to IT security and disaster recovery plans.
9. The AC reviewed several non-audit services provided by Mazars and its affiliates to PPB Group in accordance with the Group "Policies and Procedures to assess the suitability and independence of external auditors" and is satisfied that the provision of the non-audit services did not impair their objectivity or independence as external auditors.
10. The AC reviewed and recommended for the Board's approval a proposed increase in audit fees for FYE 2017.

Internal audit

11. The Group has established four Audit Review Committees ("ARC"), for each of the main business divisions in the Group. ARC meetings are usually held quarterly before the scheduled AC meetings, and chaired by the CFO. The ARC meetings serve as an avenue for more in-depth discussion of issues raised in the internal audit reports.

Senior management of the subject entity are invited to the ARC meeting to facilitate discussions and provide further explanation, feedback, update and action plan on internal audit issues raised. AC members may attend selected ARC meetings to seek explanations or participate in deliberations between management and ARC members.

12. Significant audit issues raised in ARC meetings are further discussed at the AC meeting and where necessary, the chief executives of the subsidiaries are invited to attend the AC meeting to provide further information and explanation.
13. The AC reviewed the findings of PPB Internal Audit Department ("PPBIAD") reports and noted the discussions at ARC meetings. The ARC members of the respective business units ensures prompt follow-up on key outstanding audit issues not resolved at ARC meetings.

Audit Committee Report

14. The AC reviewed and approved PPBIAD’s 2017 audit plan, scope and audit approach which is guided by the risk-based assessment approved by the AC.
15. At the AC meeting held on 22 November 2017, the AC assessed the performance and competency of PPBIAD including assessing the adequacy of their manpower and other resources, and is satisfied with PPBIAD’s performance and adequacy of its resources.

Related party transactions (“RPT”) and conflict of interest (“COI”) situations

16. The AC noted the methods and procedures by which prices and other terms of recurrent related party transactions (“RRPT”) are determined, which inter-alia covers PPB Group’s procedures and processes to identify, track and monitor RRPTs.
17. The AC reviewed RPT issues including any COI situations as and when highlighted in internal audit reports.
18. The AC noted the RPTs and RRPTs entered into by the Group in FYE 2017.

Risk management

19. The AC provided oversight, direction and resources for the implementation of the risk management framework in the following key areas:
 - a) assessing the effectiveness of the Group’s enterprise-wide risk management framework
 - b) reviewing the risk reports of the group on a bi-annual basis
 - c) ensuring the risk management activities of risk identification, assessment, action plans and monitoring of key risks are implemented throughout the organisation
 - d) ensuring key risks of the group are managed appropriately in order to assure the Board that the residual risk ratings meet the Group’s risk appetite

Others

20. The AC reviewed the Audit Committee Report and the Statement on Risk Management and Internal Control for inclusion in the 2017 annual report.
21. During the year, members of the AC visited the following PPB Group operations:

Entity/Location	Business activity
Products Manufacturing Sdn Bhd – Kuala Lumpur	Manufacture and wholesale of toilet requisites, household and chemical products
Vietnam Flour Mills Ltd – Ho Chi Minh City	Flour milling
Galaxy Studio Joint Stock Company – Ho Chi Minh City	Exhibition and distribution of films

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is performed in-house by staff of PPBIAD. PPBIAD reports directly to the AC and all its internal auditors are free from any relationships or conflict of interest, which could impair their objectivity and independence.

The total cost incurred by PPBIAD for the internal audit function of the Group for FYE 31 December 2017 was about RM2.3 million.

SUMMARY OF THE WORK OF PPBIAD

The activities and processes of PPBIAD are guided by its charter and conforms to the ‘*International Standards for the Professional Practice of Internal Auditing*’ issued by the Institute of Internal Auditors (“IIA”), as well as the annual audit plan approved by the AC. PPBIAD adopts a risk-based approach in the development of its audit plans.

Audit Committee Report

During FYE 31 December 2017, PPBIAD:

Key audit areas

1. Reviewed the top risks identified by management of PPB and its subsidiaries during their enterprise risk management ("ERM") exercises and tested the adequacy and effectiveness of the key internal controls to manage those risks.
2. Reviewed the systems in place to ensure compliance with policies, plans, rules and regulations which may have significant impact on PPB Group.
3. Reviewed controls to safeguard assets and where appropriate, verified the existence of such assets.
4. Reviewed the effectiveness and efficiency of operations and ascertained whether results are consistent with PPB's objectives and goals.
5. Reviewed compliance with the relevant provisions in the new Malaysian Code on Corporate Governance pertaining to the functions of the Audit Committee.
6. Reviewed RPTs and RRPTs and reported on any COI situations identified during the course of audit which did not adhere to relevant policies, rules and regulations.

Reporting and communication flow

7. The Head of Internal Audit ("HIA") attended 15 quarterly ARC meetings held in 2017 to discuss PPBIAD audit reports.
8. The HIA met on a one-to-one basis with the AC Chairman on 14 occasions in 2017 to review key audit issues prior to scheduled AC meetings; at these discussions, the AC Chairman provided guidance and support to further improve the efficiency and effectiveness of PPBIAD.
9. At each AC meeting, PPBIAD highlights critical and important audit issues in the internal audit reports with particular emphasis on any key unresolved issues.

Resources

10. PPBIAD's head count as at 31 December 2017 was 12. The HIA, Mr Lim Thiam Beng is a Member of IIA Malaysia, Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. All the internal auditors have at least a relevant tertiary education.
11. The internal auditors attended relevant courses and seminars organized by IIA Malaysia and other professional/regulatory bodies to keep abreast with the latest auditing techniques and regulatory requirements, as well as a 2-day in-house workshop on EQ Communication to improve their soft skills.

(The terms of reference of the AC can be viewed on PPB's website at www.ppbgroup.com)

Soh Chin Teck

Audit Committee Chairman

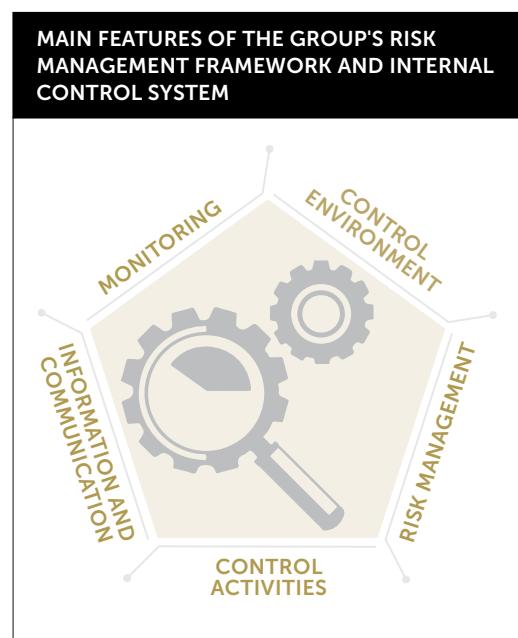
28 March 2018

Statement on Risk Management and Internal Control

PPB Board acknowledges its responsibility for establishing a sound risk management and internal control system to safeguard shareholders' investments and the Group's assets.

There is an on-going review process by the Board to ensure the adequacy and effectiveness of the system to meet the Group's objectives and strategies. The risk management framework and internal control system are designed to identify, evaluate and manage risks that may prevent the achievement of the business objectives and strategies within the Group's risk appetite, rather than to eliminate risks. Therefore, it provides reasonable but not absolute assurance against material misstatement, fraud or loss.

The main features of the Group's risk management framework and internal control system are summarised as follows:



1 CONTROL ENVIRONMENT

The Group considers the integrity of staff at all levels to be of utmost importance, and this is pursued through comprehensive recruitment, appraisal and reward programmes. There is a Group organisation structure within which business activities are planned, controlled and monitored.

The Group's culture and values, and the standard of conduct and discipline it expects from employees are communicated to them via the employee handbook or letters of appointment.

2 RISK MANAGEMENT

A formal Group-wide enterprise risk management ("ERM") framework has been established, which is aligned to ISO31000: Risk Management, covering the Group's core business activities to identify, evaluate and manage significant business risks faced by the Group.

This process was in place throughout the year and is regularly reviewed and monitored by the Audit Committee ("AC") for its adequacy and effectiveness and reported accordingly to the Board.

The key features of the Group's risk management framework are:

- A formal set of risk policy and guidelines has been established and approved by the Board and communicated to employees throughout the Group through risk awareness sessions and workshops;
- A risk reporting structure which outlines the lines of reporting and responsibilities of the Board, AC, Risk Advisory Committee ("RAC") and the various subsidiary risk committees, has been established and approved;
- The RAC reports on the Group risk profile for review by the AC, and the AC reports on the significant risks and controls available to mitigate those risks to the Board for its consideration;
- The appointment of a Group Chief Risk Officer ("GCRO") at the holding company (PPB Group Berhad) and risk officers at the subsidiaries to ensure leadership, direction and coordination of the Group-wide application of risk management;
- The scope of the Group-wide risk assessment process encompasses strategic, financial, operational, health and safety, asset security, human resources, legal and regulatory;
- The risk assessment sessions are mainly carried out through meetings or facilitated workshops by the ERM team or the subsidiaries' risk officers. They provide independent assessment of new/existing risks identified, and risk ratings determined by the respective risk owners based on the risk appetite set by the Board;
- The risk officers also provide guidance to the risk owners on the development and adoption of appropriate management action plans to mitigate the risks, should the control effectiveness of the existing controls be assessed to require further improvements;
- The heads of the strategic business units, with assistance from their risk officers are responsible for identifying, analysing and evaluating risks, as well as developing, implementing and monitoring management action plans and reporting all risks to the GCRO, who will subsequently table the Group's key risks to the RAC, AC and Board;
- The identification and monitoring of key risk indicators ("KRIs") have been rolled out to the Group, which assist risk owners to assess the risk ratings and the need for further management action plans to mitigate the risks should the KRIs indicate an adverse trend; and
- On-going risk management education and training is provided at management and staff levels.

Statement on Risk Management and Internal Control

3 CONTROL ACTIVITIES



The Group has in place a system to ensure that there are adequate and effective risk management, financial and operational policies and procedures and rules relating to the delegation and segregation of duties.

There are comprehensive budgets, requiring board approval, which are reviewed and revised on a regular basis, with performance monitored against them and explanations sought for significant variances.

4 INFORMATION AND COMMUNICATION



There is a system of financial reporting to the Board, based on quarterly results and annual budgets. Key risks and operational performance indicators are continuously monitored and reported to the Board.

A whistleblowing policy and procedures are in place to provide a platform for employees to report on actual or suspected malpractice, misconduct or violation of applicable laws and regulations, and the Group's policies in a responsible and effective manner.

5 MONITORING



Monitoring of the Group's significant business risks is embedded within the Group's risk management process described in item 2 above. A control self-assessment system is also in place for management to monitor critical and routine risk areas under their jurisdiction using an internal control checklist.

The adequacy and effectiveness of the Group's risk management, internal control and governance processes are reviewed and monitored by the AC, which receives regular reports from the internal auditors. Formal procedures are in place for actions to be taken to remedy any significant failings or weaknesses identified in these reports.

There were no significant risk management and internal control failings or weaknesses which had resulted in material losses or contingencies during the financial year.

The Board has received assurance from the Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects based on the risk management and internal control system of the Group.

Based on the foregoing, the Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. However, such a system is designed to manage rather than eliminate the risk of failure. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Group's system of risk management and internal control applies principally to PPB Group Berhad and its subsidiaries. Associated companies have been excluded because the Group does not have full management and control over them.

28 February 2018

Sustainability Statement

As a diversified conglomerate, PPB Group Berhad (“PPB”) aspires to achieve excellence in sustainability by integrating sustainable practices into every one of its business activities in line with the Group’s vision and core values.



The PPB Board (“the Board”) has oversight responsibility to deliver sustainable value to stakeholders through the principles, policies, objectives and strategies of PPB and all its subsidiaries in Malaysia (“the Group”). To assist the Board in fulfilling its responsibilities, a Sustainability Steering Committee (“SSC”) was established in August 2017. The SSC is chaired by PPB’s Managing Director and comprises PPB’s Head of Corporate Affairs as Group Chief Sustainability Officer, PPB’s Department Heads and the Sustainability Officers of the various subsidiaries.

The SSC reports twice-yearly to the Board and is responsible for:

- 

Developing and driving the implementation of sustainability policies and strategies, plans and project budgets.
- 

Reviewing and reporting on progress against sustainability strategies, targets, plans and budgets.
- 

Developing an annual Sustainability Statement.
- 

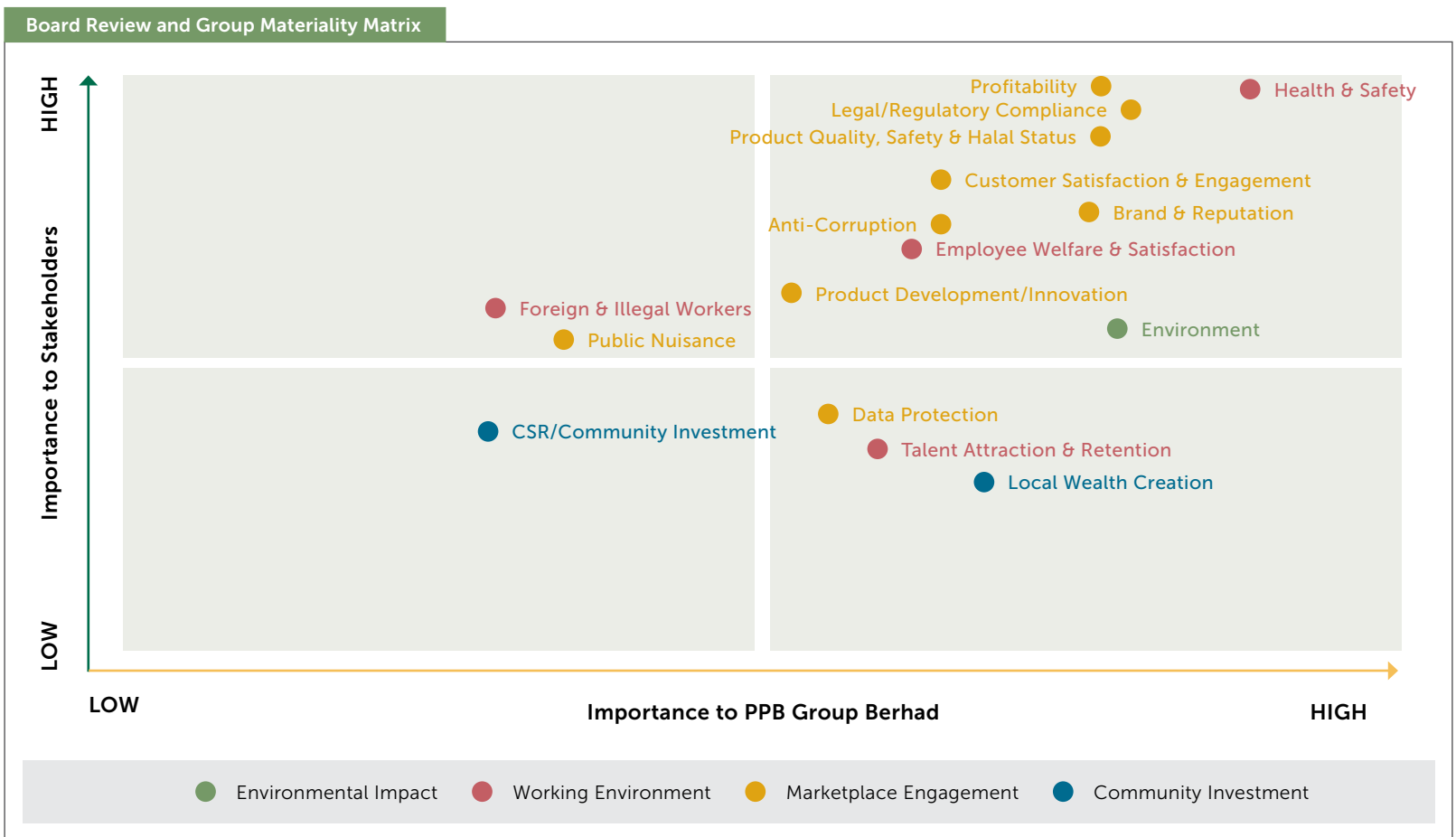
Identifying, communicating and promoting best sustainability practices in the Group.

In 2015, Bursa Malaysia introduced a requirement for listed companies to publish a statement of their material economic, environmental and social performance in their annual reports. Accordingly, we initiated a process whereby our Malaysian operations in our main segments collected data on sustainability parameters defined by international reporting guidelines and frameworks, such as the Global Reporting Initiative (GRI). In 2016, we released our first Sustainability Statement. This described our performance on key non-financial metrics, highlighted areas where our sustainability management and processes can be strengthened and provided a basis on which we can continually improve our reporting to better meet the expectations of our stakeholders.

During our first reporting process, we drafted a materiality matrix of issues for validation by our various divisions. This was combined into a consolidated matrix of 16 prioritised issues relating to the activities of the Group, which was subsequently approved by the Board. Thereafter, the prioritised issues formed the basis of an agreed set of key performance indicators (“KPIs”) which are used to report on our sustainability performance.

Our sustainability reporting covers only the operations of our Malaysian subsidiaries. Subject to there being no significant changes, a materiality assessment will be conducted once every three years to ensure that any change in our businesses, as well as socio-economic and environmental trends, are taken into consideration.

Sustainability Statement



Based on what we learned from our first reporting process – including the identification of material issues, mapping of performance levels and feedback from stakeholders – specific targets were set for 2017/2018. An overview of our achievements and progress in 2017 is presented below.

Targets 2017/2018	Target Year for Completion	Status
Zero fatalities for all business divisions.	Ongoing	Zero fatalities in 2017.
Establish a senior-level formal sustainability steering committee reporting to the Board to drive policy implementation and strategy.	2017	Established in August 2017.
PPB Group and its divisions to establish a joint CSR task force to develop a community investment strategy.	2017	Established in September 2017.
10% reduction in accidents for livestock farming.	2017	31.6% reduction in accidents (from 19 in 2016 to 13 in 2017).
Flour and animal feed division and GSC to commission a carbon footprint assessment plan.	2018	A carbon footprint assessment was carried out for flour and animal feed division and GSC in 2017. The key findings have been incorporated into this report.
Flour and animal feed division and GSC to commission an energy reduction plan.	2018	Energy reduction plan to commence in 2018.
Develop a sustainability policy that sets out priorities for the Group and expected actions from each business segment.	2018	Group Sustainability Policy approved in March 2018.
GSC and Property divisions to commission a water footprint assessment and/or a water reduction plan.	2018	Due to start in 2018.

Sustainability Statement



OUR SUSTAINABILITY FRAMEWORK

In 2017, we focused on our set targets and the most material challenges, while making greater efforts to improve our sustainability reporting and documentation. In the following sections we report on our performance in greater detail based on the four pillars of our approach to sustainability; environmental impact, working environment, marketplace engagement and community investment as below:



Environmental Impact



REFERENCES

For further information, please refer to page 57



Working Environment



REFERENCES

For further information, please refer to page 67



Marketplace Engagement



REFERENCES

For further information, please refer to page 73



Community Investment



REFERENCES

For further information, please refer to page 75

Environmental Impact

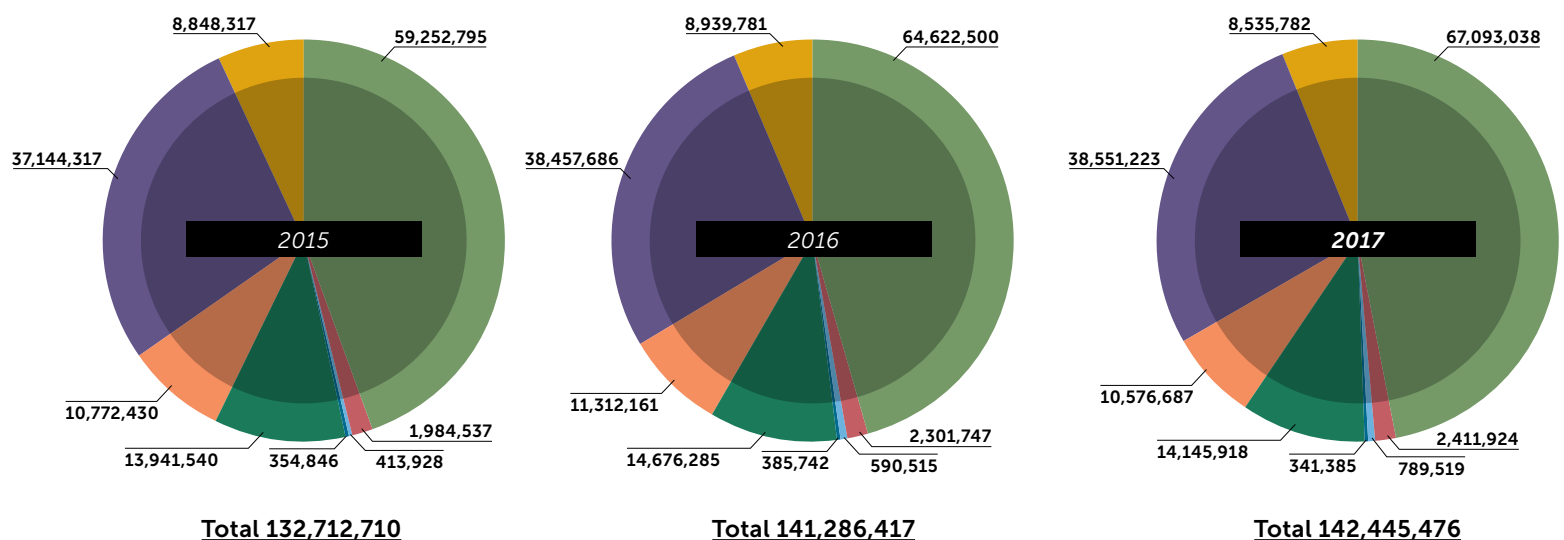
We recognise the importance of environmental protection for the sustainability of all businesses. Our materiality identification exercise showed that the most immediate issues within our own operations relate to resource use and the impact of this use – particularly water and energy, and the waste generated. We mainly operate in industrialised zones and urban areas, primarily in the Klang Valley, Malaysia, and have relatively little direct impact on biodiversity. Our most significant action points therefore targeted the reduction of our climate impacts through minimising our carbon footprint and energy consumption, reducing our water impact and improving waste management.



CARBON FOOTPRINT AND ENERGY CONSUMPTION

In 2016, electricity consumption was identified to be by far the largest direct source of carbon emissions by the Group. As a result, we set a target to commission a carbon footprint assessment of our top energy consuming divisions – flour and animal feed milling and cinemas and this was completed in 2017. We continued to map our energy use across all business divisions in 2017 and based on the outcome of the carbon footprint report, we will explore opportunities to conserve energy and reduce the carbon footprints of these same divisions in 2018.

Energy Usage In kWh by Business Unit (2015-2017)

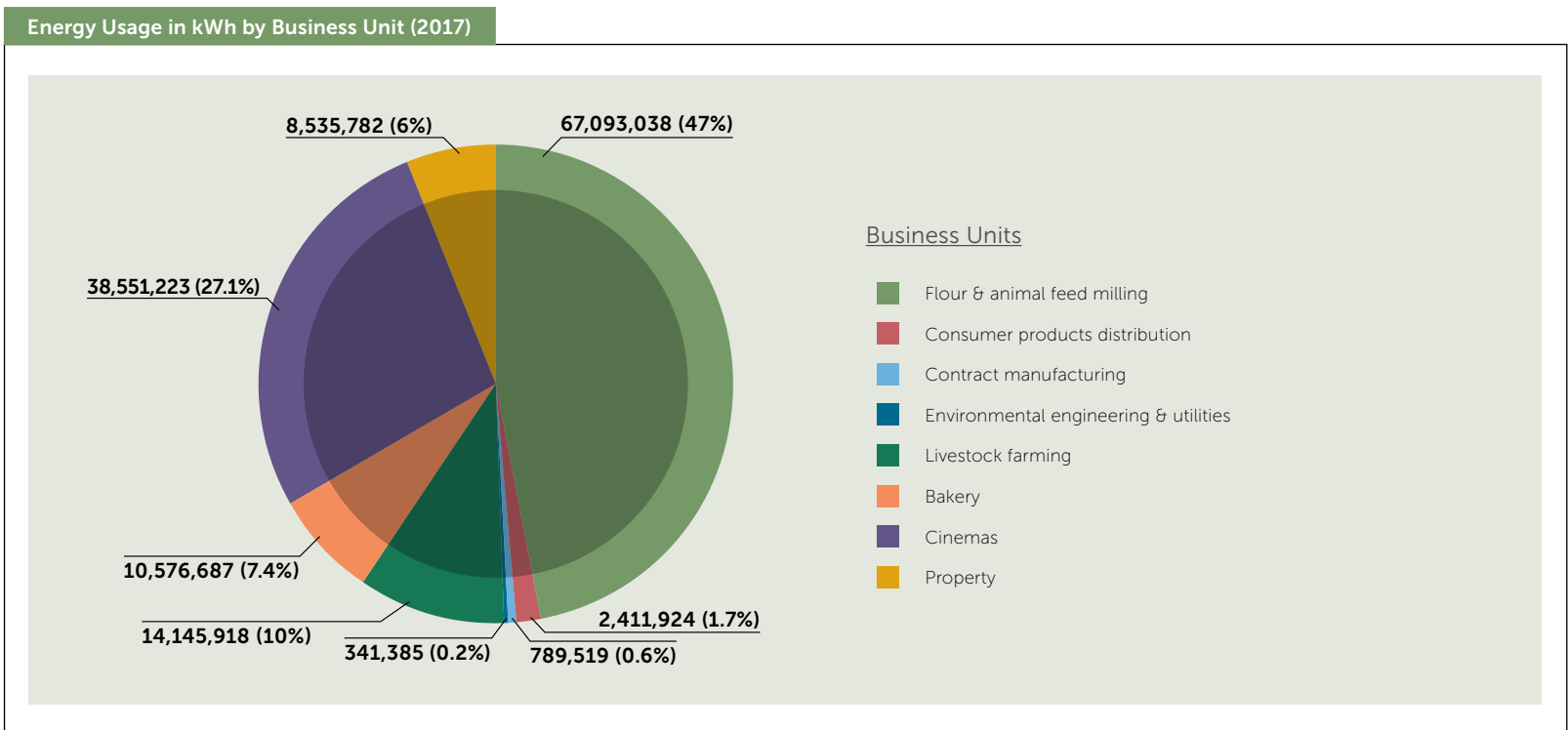
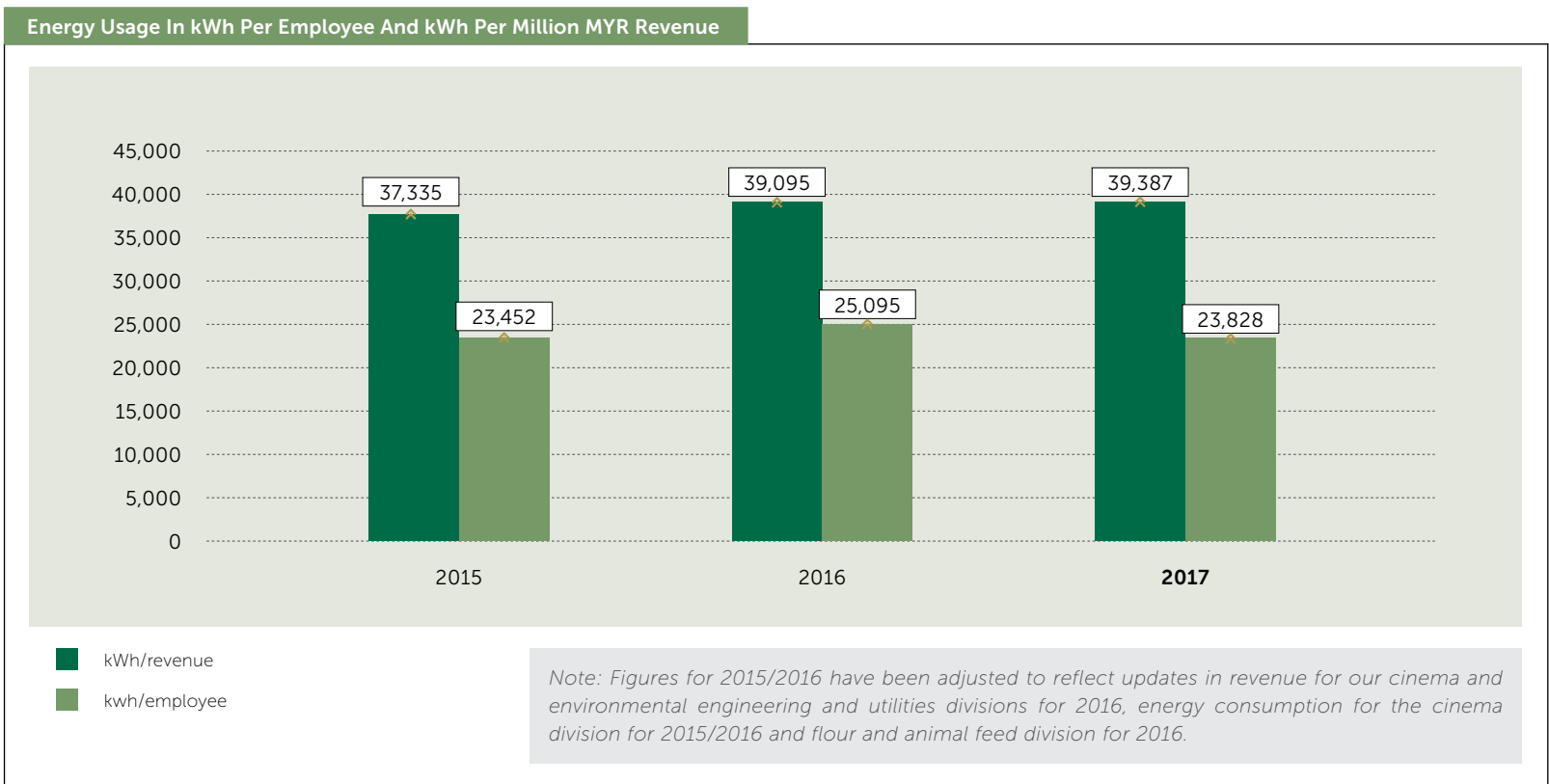


Business Units

- Flour & animal feed milling
- Consumer products distribution
- Contract manufacturing
- Environmental engineering & utilities
- Livestock farming
- Bakery
- Cinemas
- Property

Note: Energy usage does not include PPB Head Office or operations outside Malaysia. Figures for 2015/2016 have been adjusted to reflect updates in energy consumption by our cinema division for 2015/2016 and flour and animal feed division for 2016.

Sustainability Statement



The Group's energy usage saw a slight overall increase of 0.8% in 2017. This is mainly due to the addition of a new flour mill at our Pasir Gudang, Johor Bahru operation and increased production capacity at our flour and animal feed division. The new mill has yet to reach optimal consumption capacity.

Sustainability Statement

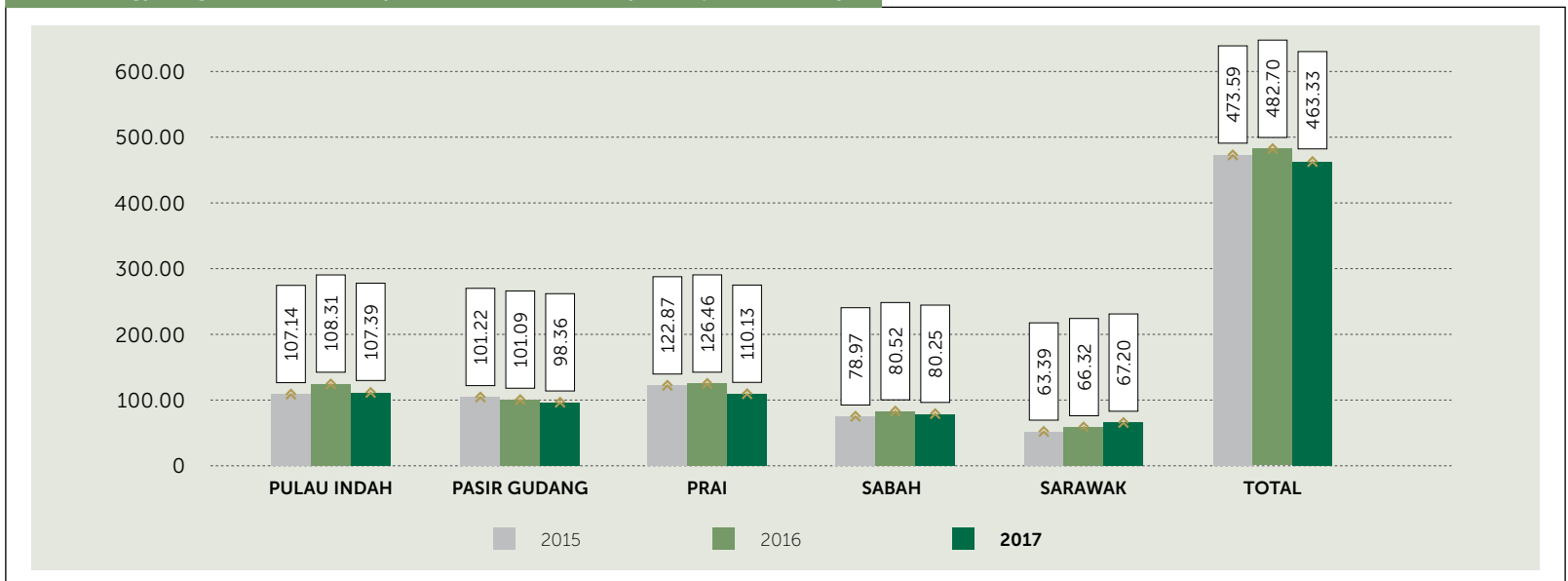
FLOUR AND ANIMAL FEED MILLING

Milling is an energy-intensive activity and our flour and animal feed division accounted for 47% of total Group energy usage in 2017. Energy consumption in this division is measured in kilowatt-hours per tonne of milled product (kWh/MT) and we strive to achieve optimum mill energy consumption. Our flour mills reduced its energy usage by 4% due to an increase in production leading to economies of scale, while our animal feed operations saw a slight increase of 0.9% due to product mix which requires higher energy usage. Overall, this resulted in our flour and animal feed division recording an overall 2.99% drop in energy usage in kWh/MT in the past year.

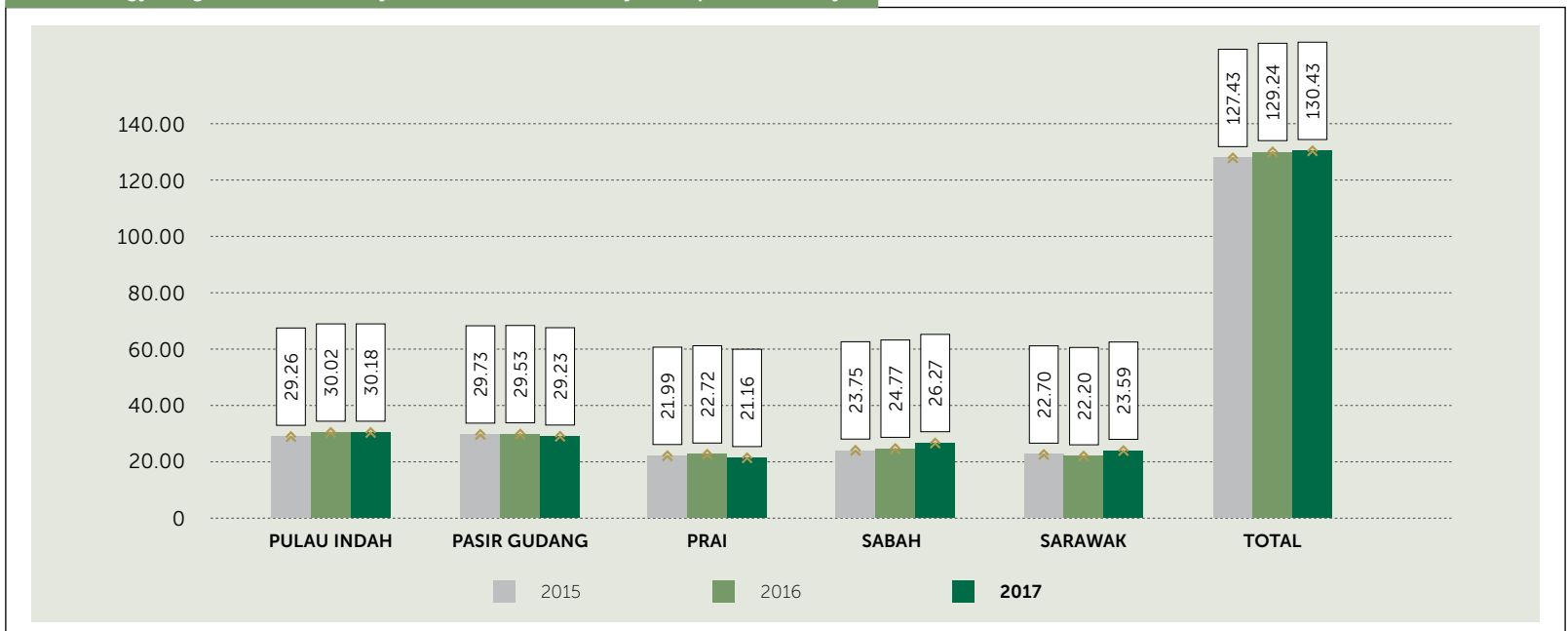
In our previous report, we set a target for our flour production operation in Pulau Indah, Selangor, to reduce consumption by 2 kWh/MT by the end of 2019. As at end 2017, the site has recorded a decrease of 0.92 kWh/MT.

To further conserve energy and mitigate the impact of our energy use, the division has established initiatives including preventive maintenance, upgrading to energy saving LED lights, installing solar panels for street lighting, an energy-efficient start-up procedure for main motors and the replacement of old roller mills.

Flour Energy Usage in kWh/Tonne by Mill (2015-2017) - Malaysian Operations Only -



Feed Energy Usage in kWh/Tonne by Mill (2015-2017) - Malaysian Operations Only -

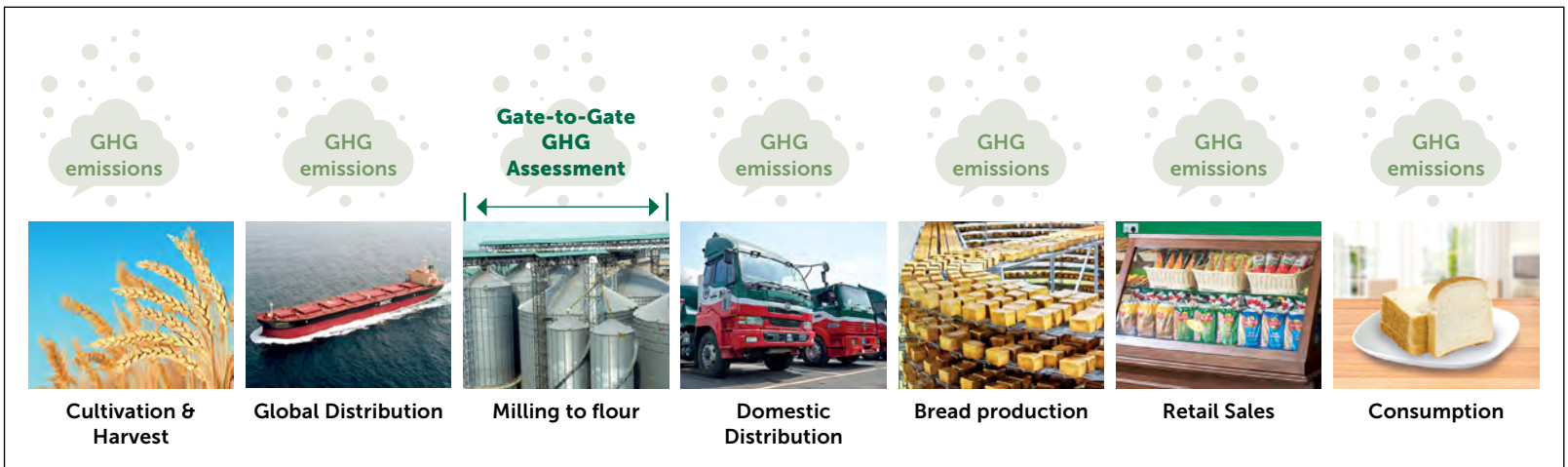


Sustainability Statement

Carbon footprint analysis – flour and animal feed milling

As part of our materiality assessment and sustainability roadmap, we identified carbon emissions from our flour and animal feed milling as a priority area for the Group, and completed a carbon assessment of our Malaysian operations in 2017.

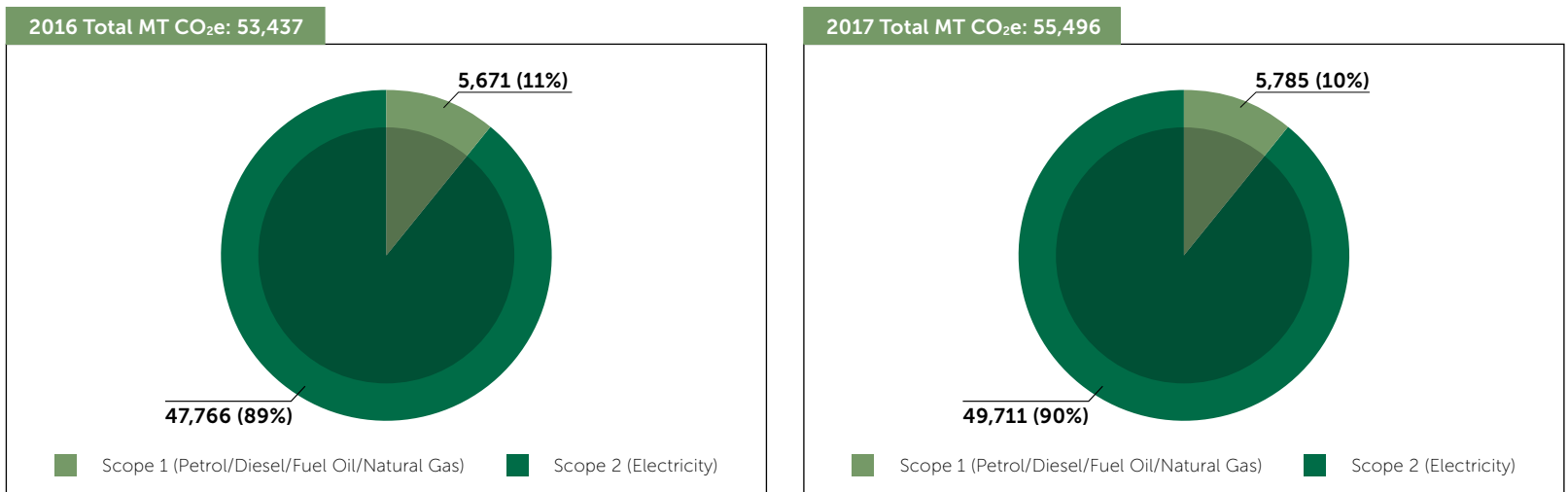
The carbon calculations were undertaken on a gate-to-gate basis. This means they exclude emissions from all external sources attributed to the production and transport of raw materials into the division’s operational sites, the transport of products out of the sites, as well as emissions from downstream processing and consumption.



(GHG=Greenhouse Gas)

Total CO₂ emissions – flour and animal feed milling

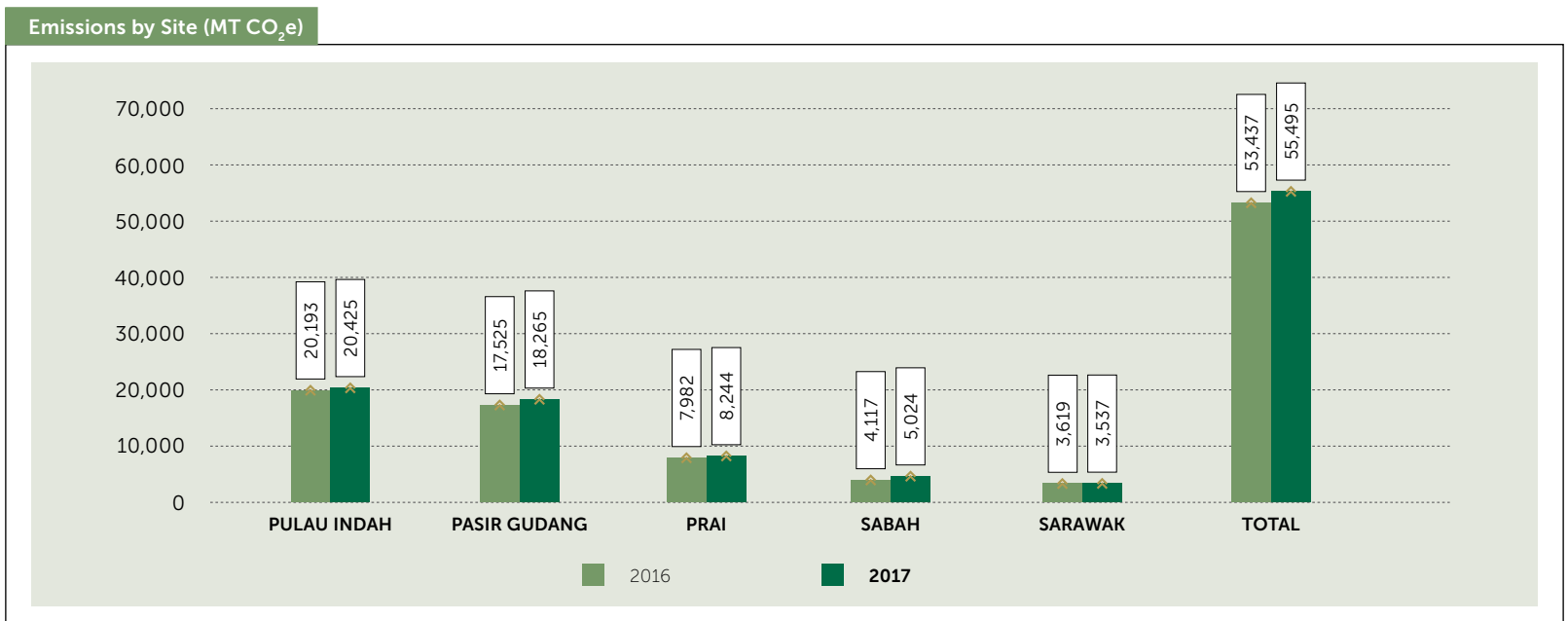
For calendar years 2016 and 2017, the total emissions from our flour and animal feed milling operations in Malaysia were 53,437 tonnes of CO₂ equivalent (MT CO₂e) and 55,496 MT CO₂e respectively. This year-to-year increase of 3.85% is not unexpected given that the total flour and feed production saw an increase of 3.75% in the same period.



Direct emissions under Scope 1 were derived from diesel, petrol, fuel oil and natural gas used at mills. Together these constitute approximately 10% – 11% of the total emissions. Indirect emissions under Scope 2 (i.e. grid electricity) made up the remaining 90%. The data presents a relatively consistent pattern of emissions from year-to-year.

Breaking down the data by site shows that Pulau Indah had the highest emissions at about 20,000 MT CO₂e, followed by Pasir Gudang at about 18,000 MT CO₂e.

Sustainability Statement

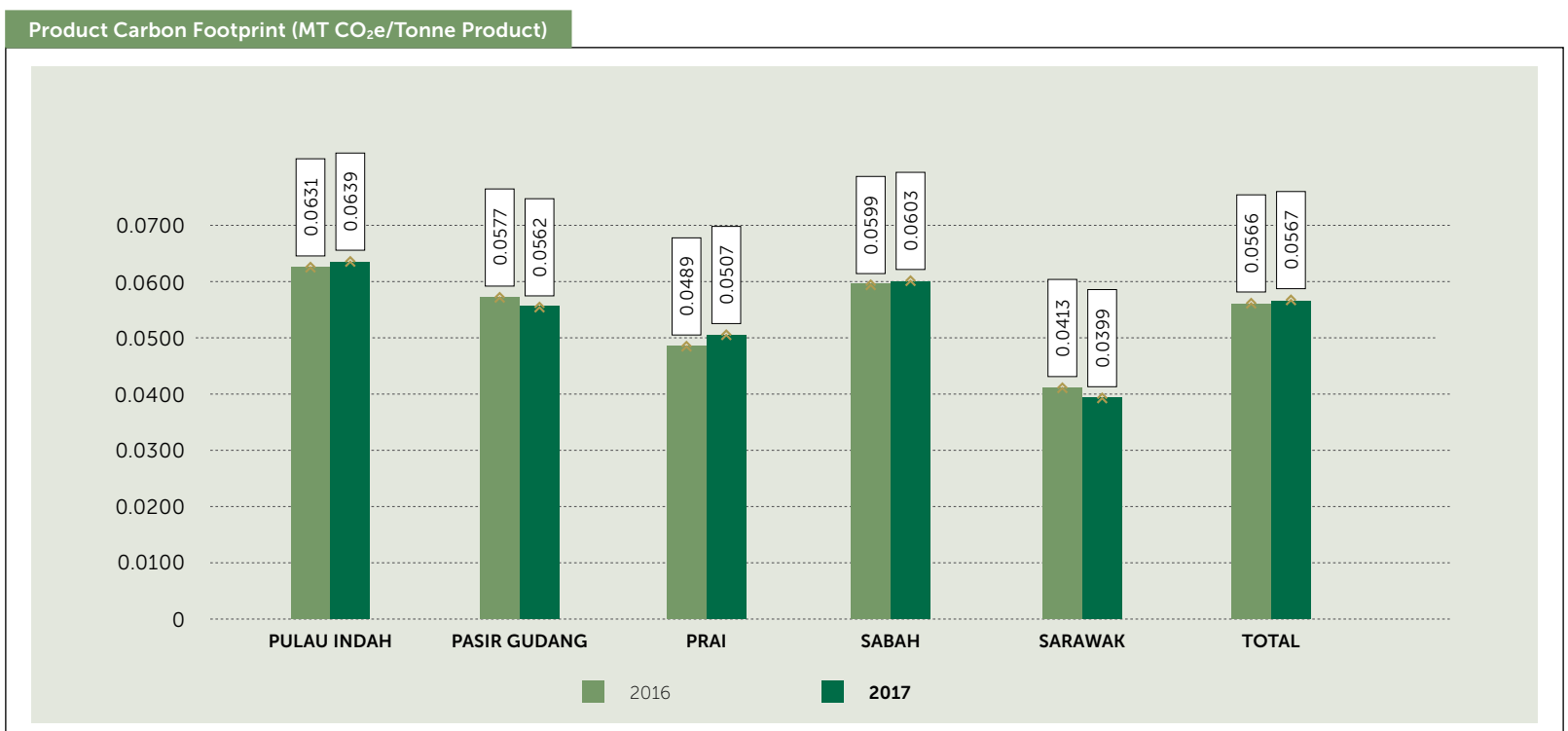


Product carbon footprint

To quantify emissions per unit of production, the product carbon footprint of the mills' output (i.e. flour and animal feed) is also calculated. This metric is important in situations where external buyers and end-users need to incorporate it into their own product footprint calculations.

Overall, the yearly product carbon footprint per tonne is similar for 2016 and 2017 despite an increase of 3.85% in total emissions due to slightly higher production.

The site with the highest footprint is Pulau Indah. Only Pasir Gudang and Sarawak show slight reduction in carbon footprint while all other sites show an increase from 2016 to 2017.



Sustainability Statement

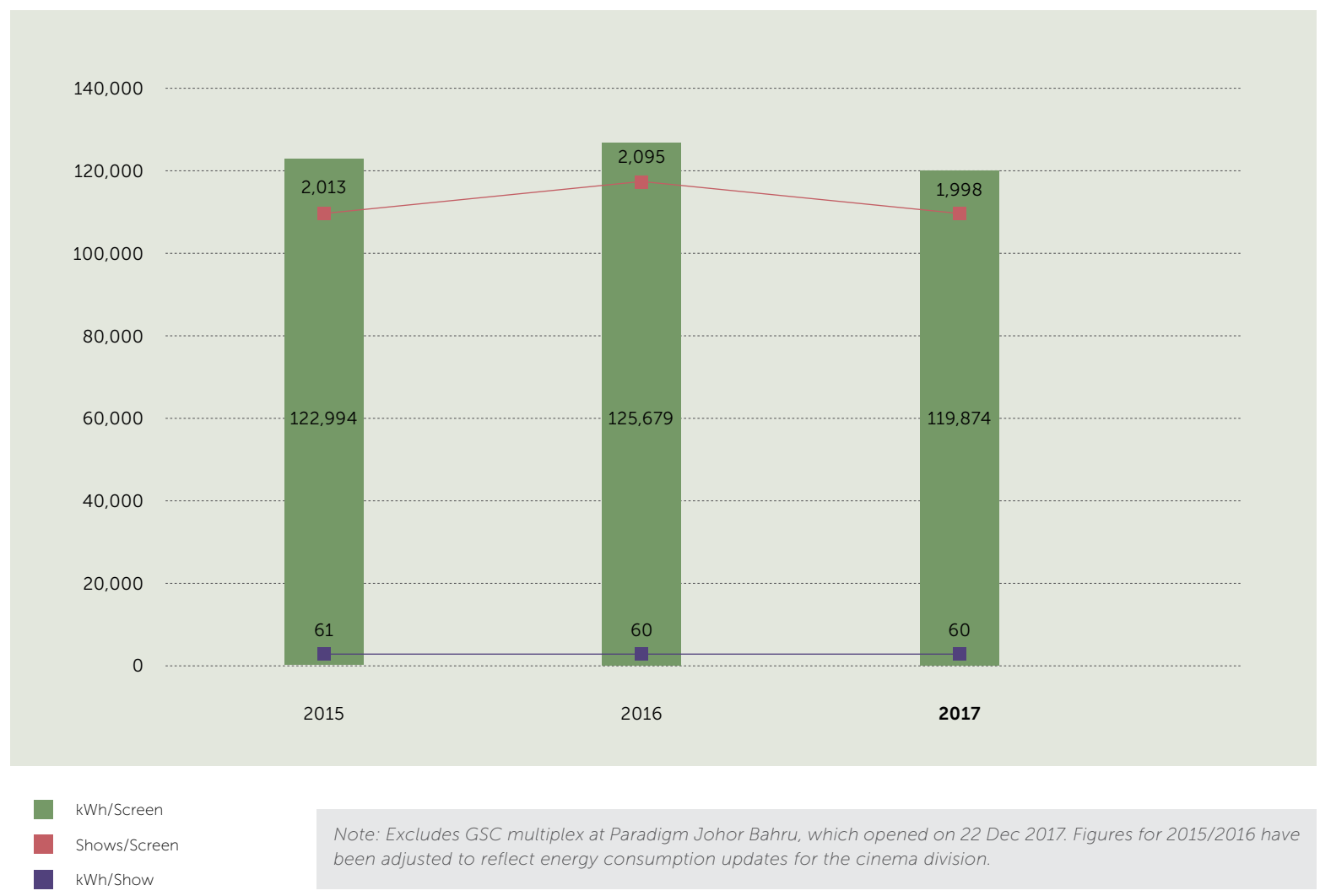
Reducing carbon emissions – flour and animal feed milling

The carbon assessment was a first step in addressing our impact on climate change, and has helped us to establish a baseline. In 2018, we will be looking to conduct energy audits at mills with the highest emissions output to help us identify opportunities for emissions reduction.

CINEMA DIVISION

Energy consumption is a key material sustainability issue for our cinema division, as electricity is used most of the day for the operation of air-conditioning and ventilation, projectors, sound systems, and food and beverage equipment. The division operates a total of 344 digital screens in Malaysia (as at 31 December 2017) and accounts for 27% of the Group’s total energy footprint. The division strives to reduce consumption where possible and recorded a reduction of 4.62% kWh/screen in 2017 as compared to 2016. This reduction was achieved by establishing a number of energy saving best practices, including the adoption of energy-saving laser projectors, energy-saving LED lights and VSD (Variable Speed Drive) for air-conditioning, and by improving the programming of shows. The average energy use per show was maintained at 60 kWh throughout 2016 and 2017.

Cinema Energy Usage in kWh Per Screen and Per Show - Malaysian Operations Only -



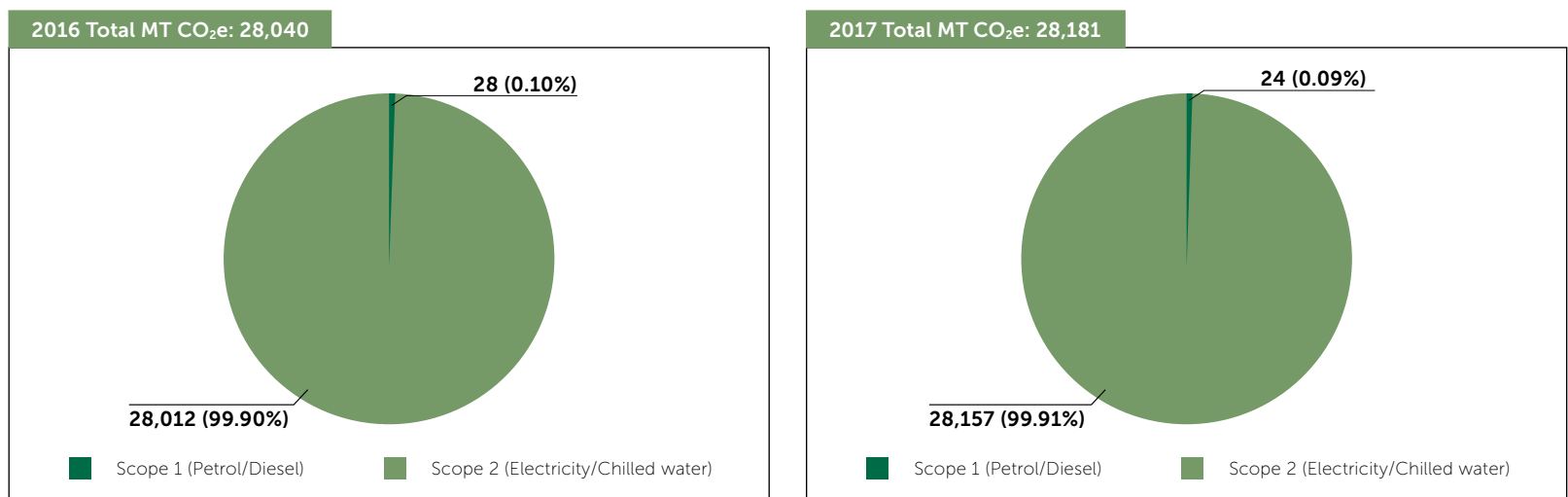
Sustainability Statement

Carbon emissions – cinemas

The carbon assessment undertaken covers all cinemas, as well as GSC’s head office in Damansara Jaya, Selangor.

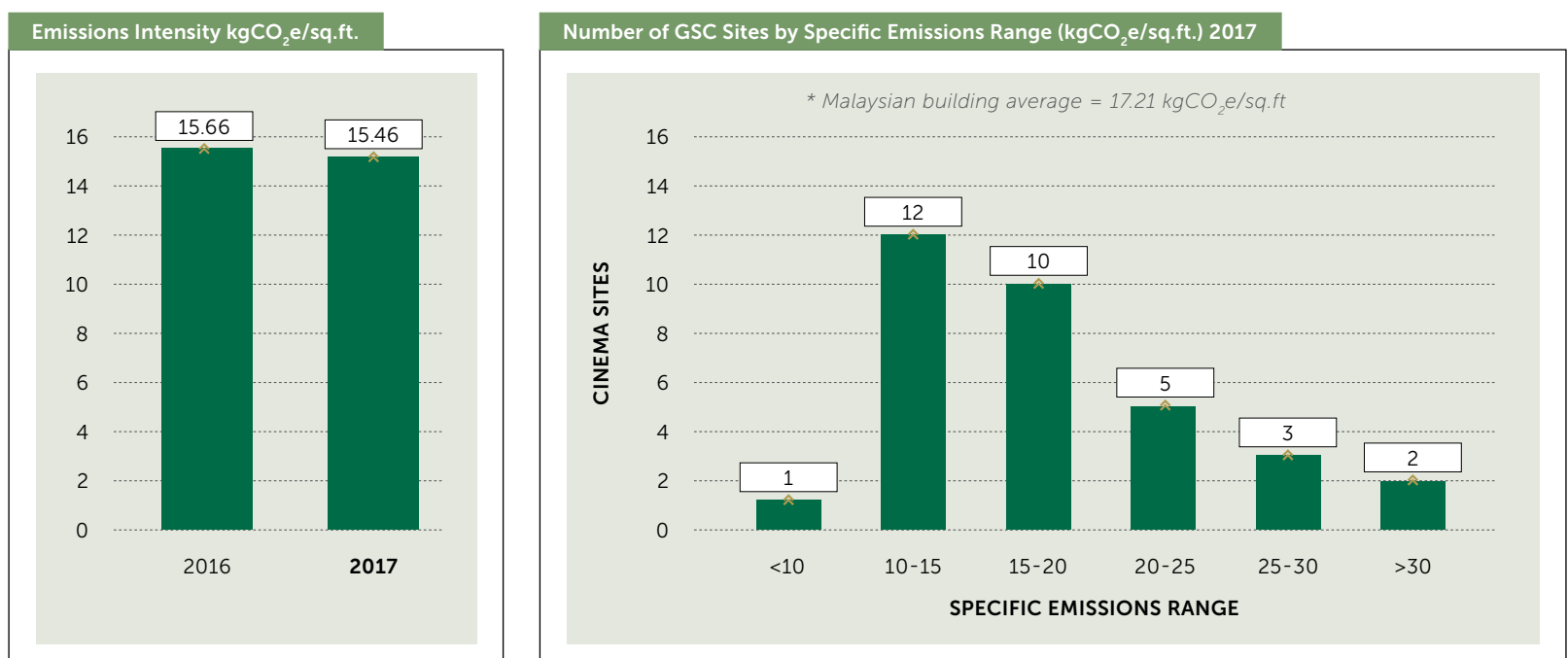
The main sources of emissions for our cinema division are electricity and chilled water purchased for cinema operations and GSC head office (Scope 2).

The slight increase in total emissions of 0.50% between 2016 and 2017 indicates that energy consumption, and hence emissions appear to be stable across the division.



Emissions intensity - cinemas

Emissions relative to cinema space (measured in kilogrammes of CO₂e per square foot) reduced by 1.3% between 2016 and 2017. The assessment did however find great variations in emissions across sites. More than half of the cinema sites have emissions per square foot lower than the national average for Malaysian buildings of 17.21 kgCO₂e per square foot, while 10 of the sites fall within the range of 15-20 kgCO₂e per square foot. Another ten sites have relatively high emissions per square foot and GSC will explore ways to reduce the emissions for these sites.



Sustainability Statement

Reduction in carbon emissions – cinemas

The carbon assessment will serve as a baseline from which the cinema division will seek to identify opportunities for emissions reduction. In 2018, GSC will explore cinemas with high emissions, identify opportunities and take the necessary measures to reduce energy usage. GSC will continue to track its emissions intensity and will look into setting site specific and/or group-wide emissions reduction targets.

In the medium-to-long term, GSC will develop a blueprint for a more energy-efficient cinema design.



LIVESTOCK FARMING DIVISION

Our livestock farming division accounts for 10% of the Group's total annual energy usage and has recorded consistent levels of energy use over the past three years. Electricity is mainly used for ventilation, water chillers, incubators, feeding and manure removal in chicken houses, and heating and air-conditioning at hatcheries. Almost all of these equipment run 24 hours on a daily basis. While we believe our energy consumption is on par with our peers in the industry, the division continues striving to reduce usage where possible. Old equipment are being replaced with energy-efficient models, and fluorescent lights are being replaced with energy-saving LEDs.

WATER USAGE

Water is a crucial and increasingly scarce resource. All Group operations, but particularly divisions with high water consumption, take a serious view of water management and conservation.

As a Group we consumed more than 961,500 m³ of water in 2017. Of this, 78% was used by our property, cinema and livestock farming divisions. The Group's overall usage increased by 10.84% in 2017. This increase was mainly due to the addition of a new flour mill at our Pasir Gudang, Johor operation, an increase in production capacity within our flour and animal feed milling, a change in data collection to actual basis for livestock farming in 2017, and the opening of three new multiplexes by GSC.

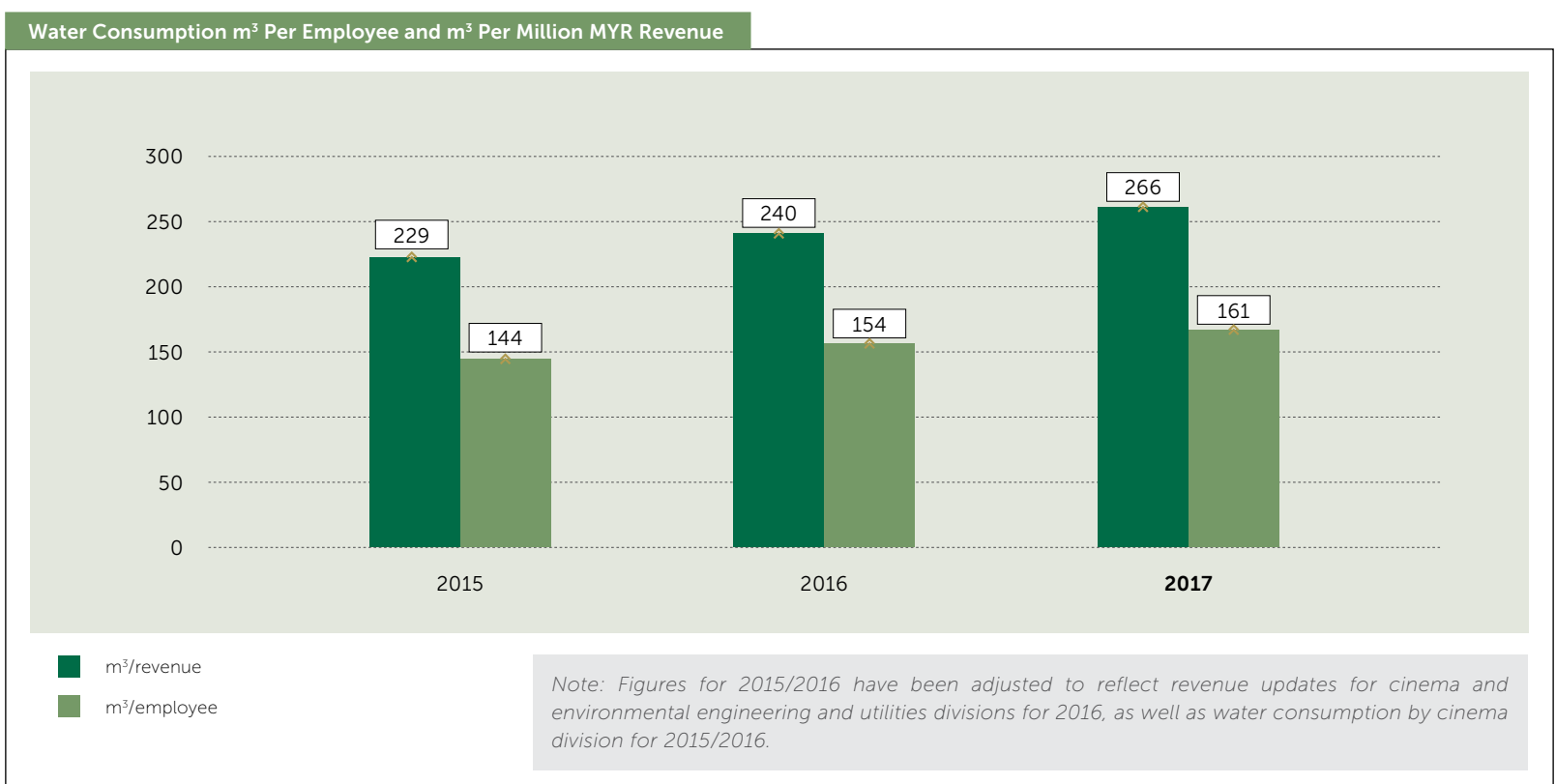
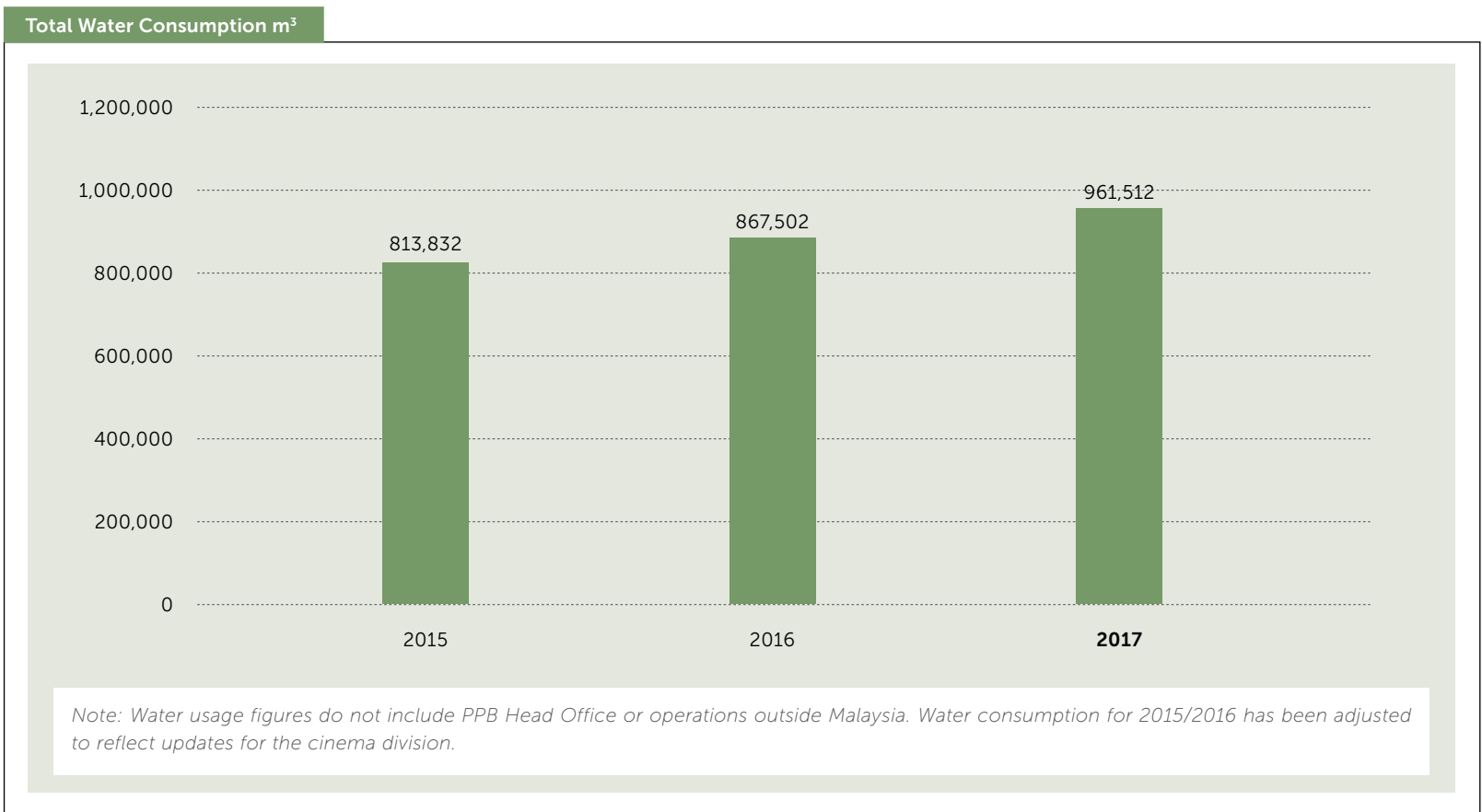
Our property division accounted for more than a third of our total combined water footprint. Its consumption figures include usage by tenants (often food and beverage outlets) and lavatory use. Constantly seeking new opportunities to reduce water usage in all its properties, the division managed a 4.42% reduction in 2017 by reducing water usage for gardening works and increasing the frequency of leakage inspections.

Our cinema operations, which consumed more than 164,000 m³ of water in 2017, exhibit a similar consumption pattern to our property division, with soft drinks and lavatory use making up the major portion of our cinemas' water footprint. The division strives to reduce its water consumption in new cinemas by installing water-efficient auto-flush facilities.

Livestock farming accounted for 26% of the Group's total water consumption. Almost half of this water was consumed by poultry, while the other half was mainly used for cleaning hatcheries. To reduce water consumption, the division uses high-pressure pumps to wash the chicken housing. Water is also recycled for the cooling pad and washing hatchery baskets. Supply line checks and maintenance are carried out regularly to prevent leaks.

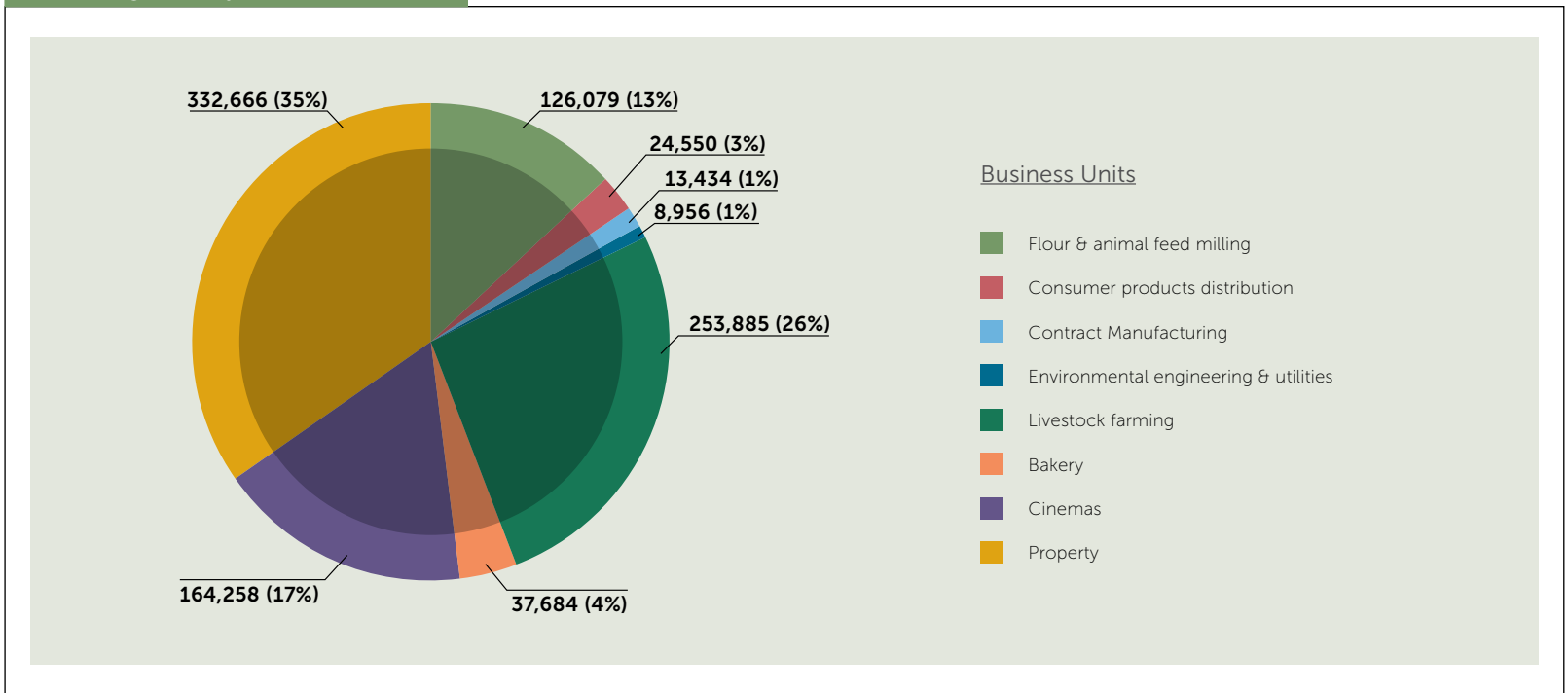
We are scheduled to commission water audits and reduction plans for our property and cinema divisions in 2018. These will explore opportunities to further reduce our footprint.

Sustainability Statement



Sustainability Statement

Water Usage in m³ by Business Unit (2017)



WASTE MANAGEMENT

Proper waste management is vital for the protection of the environment and the health of the local population. Packaging waste has become an increasingly important material issue as consumers and business-to-business customers seek to minimise their environmental impact. Many of our business units are implementing strategies to reduce, reuse and recycle packaging.

Our environmental engineering and utilities division identified waste handling and disposal, as well as the prevention of soil and water pollution, as being of high importance in the water, sewage, solid waste and flood mitigation segments. The division uses appropriate technologies in handling and treating various wastes and pollutants in achieving environmental sustainability.

Our livestock farming division produces only biological waste, layer raw and dry manure, and breeder raw manure – which are classified as non-hazardous. A large percentage of the layer raw manure is repurposed into organic and semi-composed fertiliser for use in vegetable farms.

Cinemas are associated with high-volume waste, from discarded ticket stubs to dumped plastic bottles. To make the film-going experience more sustainable, our GSC chain has introduced a mobile app that enables moviegoers to go ticketless. Having purchased tickets online, customers at selected cinema checkpoints simply scan the QR code sent to their smartphones.

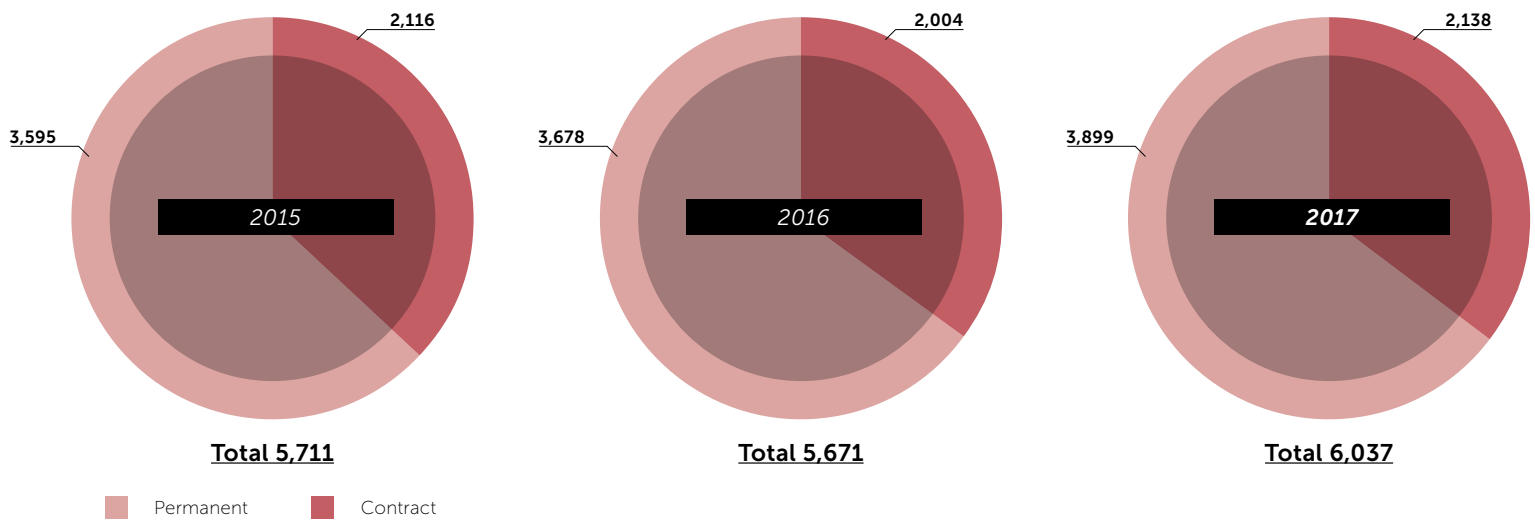
In December 2017, GSC commenced a trial programme to recycle plastic bottles at two of its Klang Valley cinemas. The full programme will be rolled out in stages to all 18 of its cinemas in the Klang Valley by the end of 2018. GSC discourages the use of plastic bags and provides biodegradable alternatives at its cinemas upon request.

Working Environment

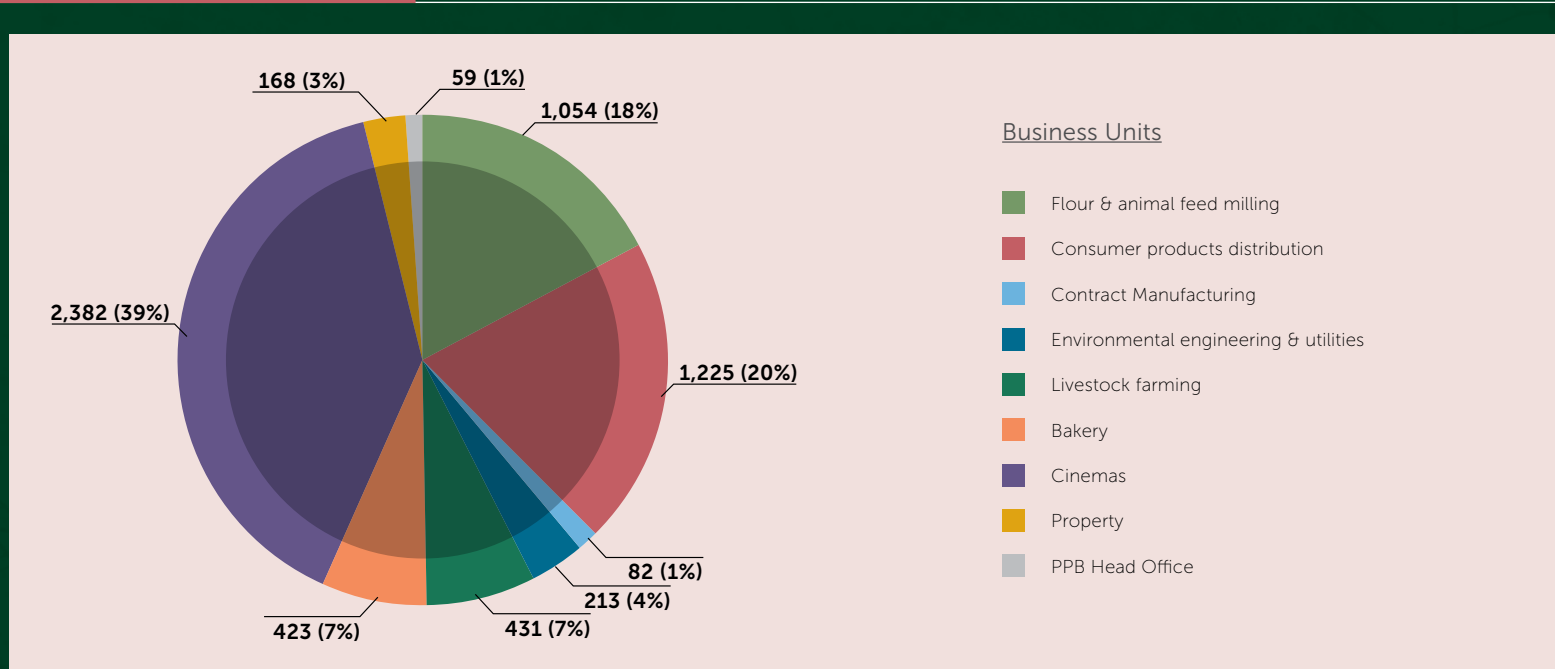
A major sustainability issue faced by all industry sectors in Malaysia today is the recruitment and retention of employees – from unskilled workers to highly skilled professionals. Our approach to this challenge is to focus on creating and maintaining safe workplaces and an engaging and supportive work culture that empowers talented individuals to succeed.



Employees by Contract Type

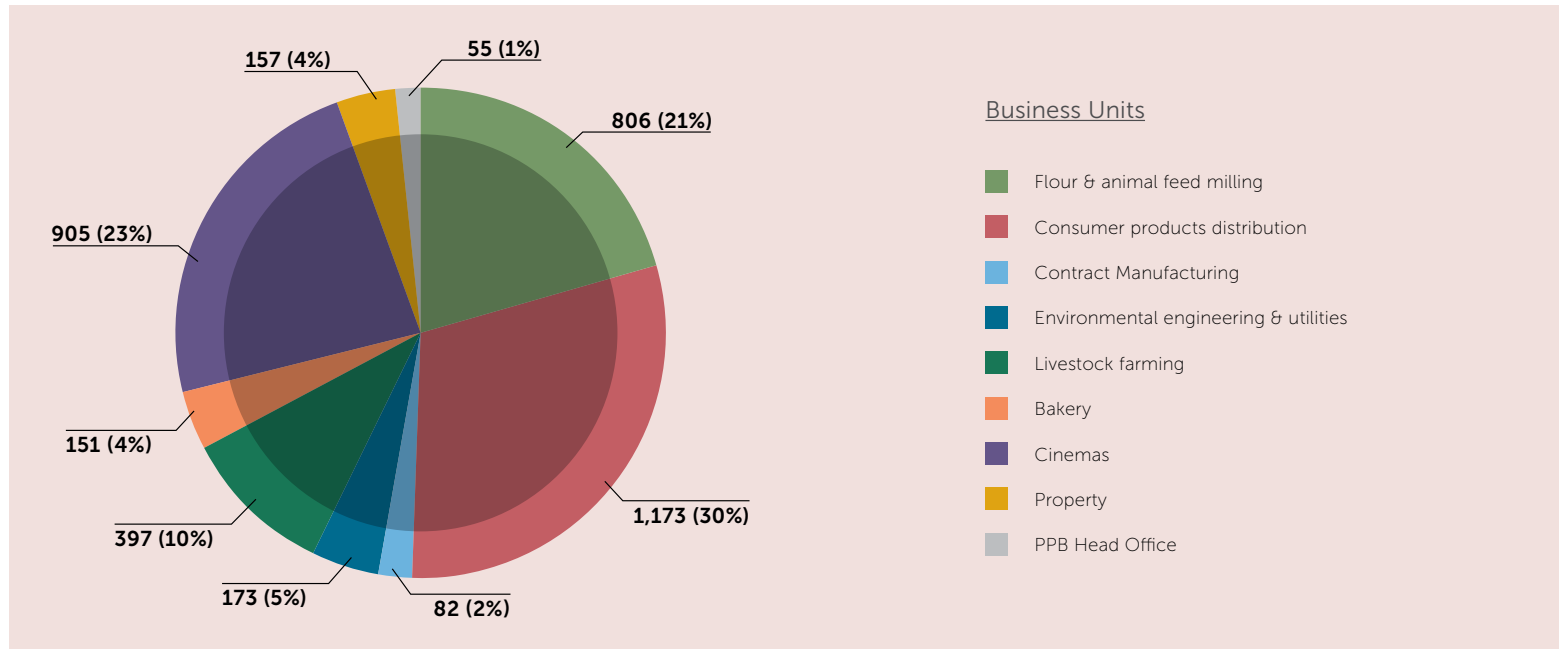


All Employees by Business Unit (2017)



Sustainability Statement

Permanent Employees by Business Unit (2017)

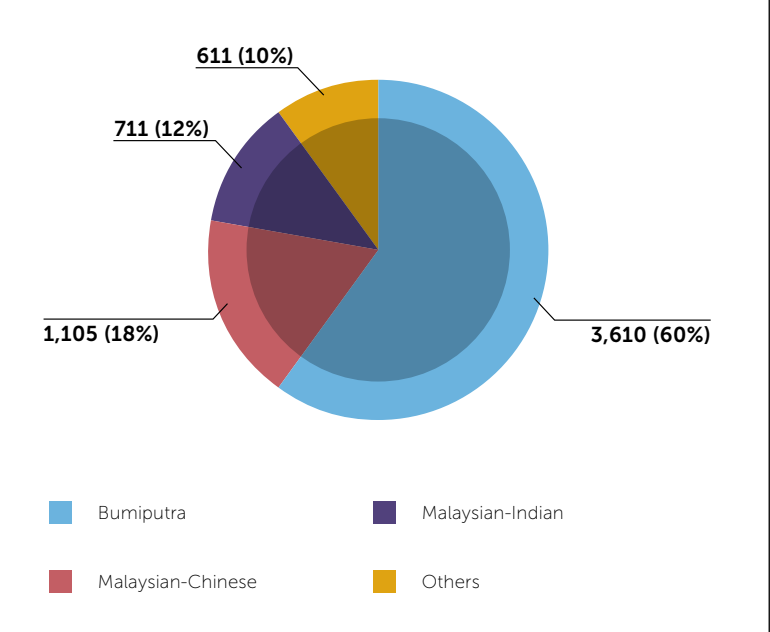


The Group has a workforce of more than 6,000 employees, of whom about two thirds are permanent full-time employees. Our cinema division accounts for the highest proportion of workers (39% of the Group’s total workforce), most of them on a part-time basis. Approximately one third of our permanent workers are employed in the consumer products division, where only a handful of individuals are hired on a temporary basis.

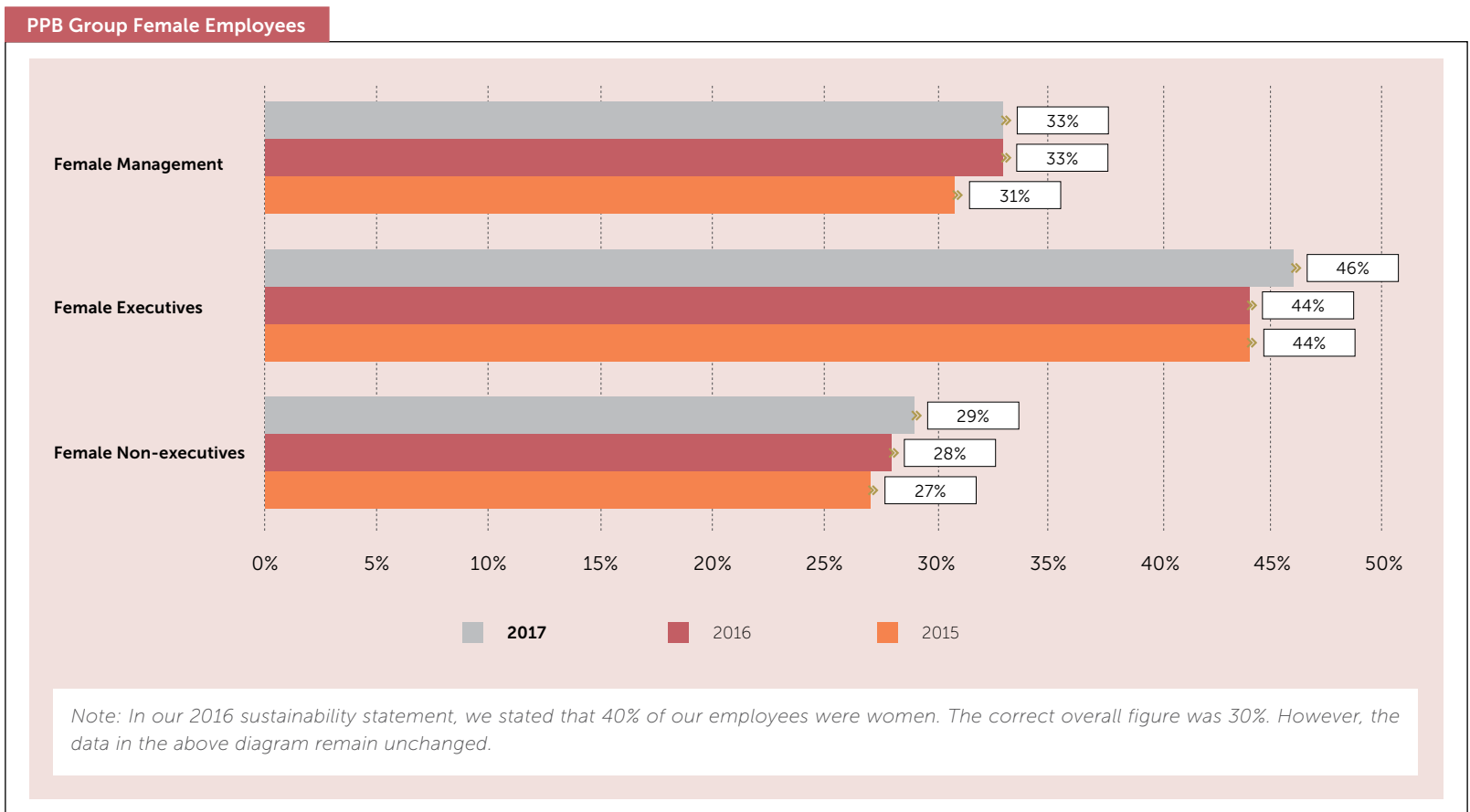
Most businesses are stronger when their workforce reflects the communities in which they operate, and we want to be recognised as a diverse and attractive employer by all sections of the community, regardless of race or gender.

The majority of our employees are in Selangor, where Bumiputera (Malays and indigenous populations) constitute half the population, Malaysian-Chinese make up about 18%, and Malaysian-Indians a further 12%. Our workforce roughly reflects this breakdown. Around 31% of our employees are women – slightly below the Malaysian workforce at large, where women make up around 38%.

PPB Group Employee Distribution (2017)



Sustainability Statement



HEALTH AND WELL-BEING

We recognise that employees are the driving force of a strong business. We believe a motivated workforce delivers value to our stakeholders. The majority of our employees undergo an annual performance review and we seek to provide a healthy, engaging and supportive culture that empowers individuals to reach their full potential.

Fitness activities have been proven to improve health and well-being and foster teamwork and a stronger work culture. Employees at FFM Berhad’s head office are encouraged to maintain their fitness at a fully equipped onsite gym. PPB promotes a healthy lifestyle and encourages its employees to participate in organised runs and regular exercise. PPB has been sponsoring the registration fees for employees to participate in the Standard Chartered KL Marathon (SCKLM) since 2014. For SCKLM2017, PPB’s team of 11 employees participated in the fund-raising Corporate Challenge category and finished in fifth place.

Divisions within the Group also create opportunities for workers and their families to gather in the spirit of community by organising Family Days.

TRAINING

Employees in all divisions receive training in areas relevant to their function. For the food-related and manufacturing segments, extensive training is provided on hygiene, food safety and handling (including HACCP), occupational health standard enhancement and workplace safety. Practical on-the-job learning is supplemented with segment-specific training, such as chemical handling and biosecurity for the livestock farming division, and effluent treatment and food allergen awareness training for the bakery division. Relevant employees receive ongoing training on the latest legal and regulatory requirements, such as updates to the Employment Act, the Competition Act, the Malaysian Code on Corporate Governance and the tax law. Some divisions have also developed specific leadership and coaching programmes to strengthen management skills.

Sustainability Statement

UPHOLDING LABOUR PRACTICES AND EMPLOYEE RIGHTS

The Group is committed to treating its employees fairly and with dignity and respect. Our Group-wide human rights policy, adopted in March 2018, is guided by the principles expressed in the Universal Declaration of Human Rights. The Group complies with all applicable labour laws, rules and regulations in the countries the Group operates in, including the Malaysian Employment Act 1955, Industrial Relations Act and regulations governing key issues such as child labour and forced labour. The Group has a zero-tolerance policy against discrimination in any form and all employees have access to a grievance mechanism to raise concerns related to workplace practices.

FOREIGN WORKERS AND ILLEGAL LABOUR

The Group employs relatively few foreign workers – about 10% of our total workforce is non-Malaysian. Most of these workers are employed in the bakery and livestock farming divisions due to severe labour shortages in both sectors. All foreign workers directly employed by the Group have legal contracts and are accorded similar working conditions as local workers. Benefits vary across divisions, but generally exceed legal requirements and include access to incentive schemes, medical care and participation in company social and recreational events. In addition, foreign workers are provided with housing and transportation. No instances of child labour were reported during the current period. The Group does not employ any person below the age of 16.

ENSURING SAFER WORKING ENVIRONMENTS

We are committed to conducting our businesses in a way that protects the health and safety of our employees. We aim to foster a risk-averse working environment, eliminate safety hazards and target zero fatalities across all our divisions. The successful management of health and safety requires commitment, consultation and cooperation. We ensure our employees understand that they share in this responsibility, and that we are all accountable for our own health and safety, and that of our colleagues.

The Group recorded a total of 22 Lost Time Accidents (LTA) in 2017, down from 32 in 2016. Given the size of the Group and the diverse range of its activities, we consider this to be very low. No accidents were recorded at PPB Head Office or in five of our divisions, and there have been no workplace fatalities in the Group over the past three years.

Recordable Accidents by Business Unit (2015-2017)

	Flour & animal feed milling	Livestock farming	Consumer products distribution	Bakery	Contract manufacturing	Cinemas	Environmental engineering & utilities	Property	PPB Head Office	Total
2015	10	14	0	0	0	0	0	0	0	24
2016	7	19	1	3	0	0	0	2	0	32
2017	6	13	0	3	0	0	0	0	0	22

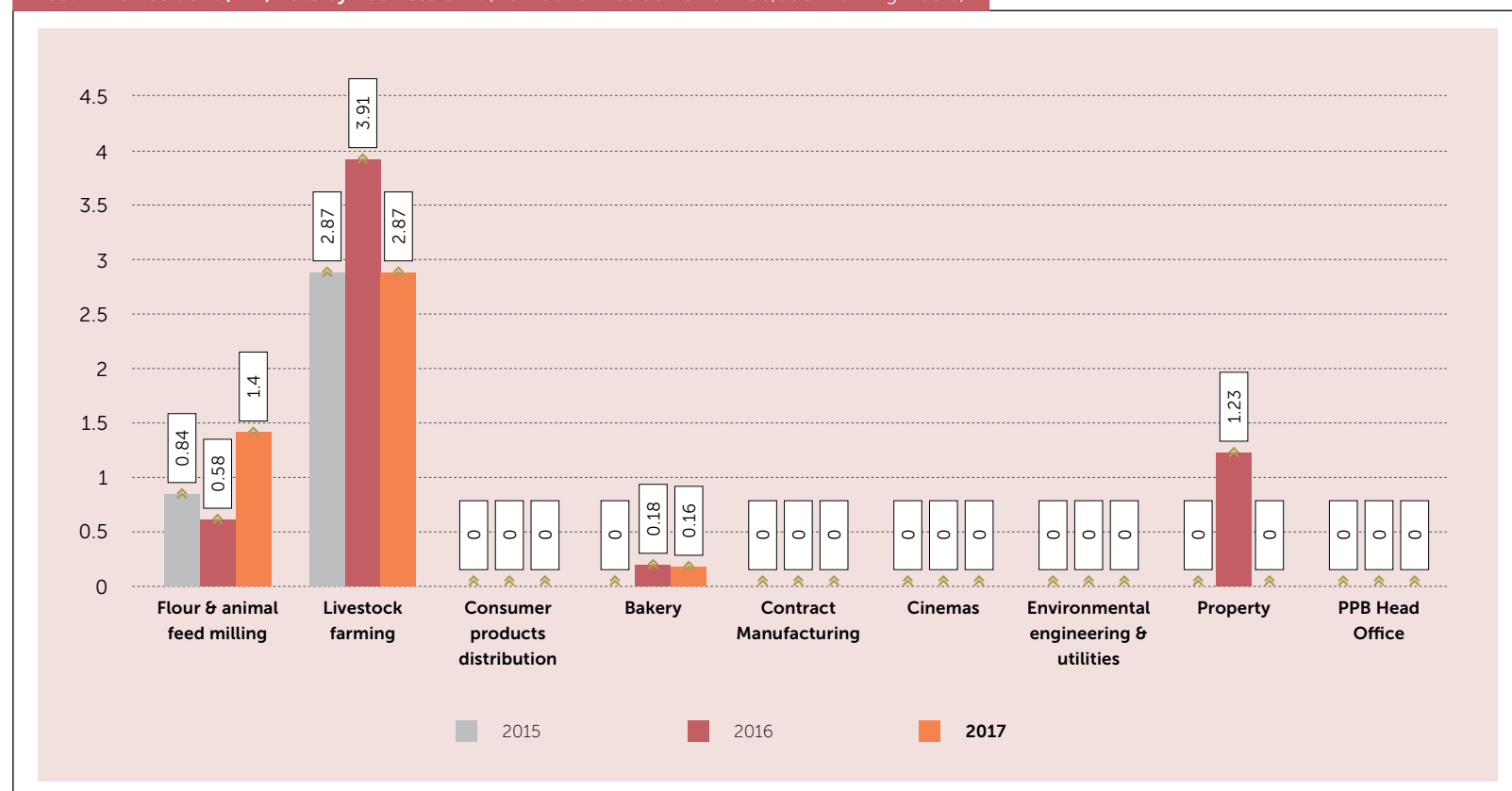
Our livestock farming division had the highest LTA rate in the Group. This is due to the highly manual nature of the work, as well as the physical environment of the farms. The most common accidents are slips, sprains and injuries resulting from the incorrect use of personal protective equipment. In 2016, we set a target to reduce the number of accidents by 10% by the end of 2017. By the end of the reporting period, the division had successfully reduced its accidents by 31.6% and its LTA rate by 26.6%.

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Average no. of lost days per accident by Business Unit (2015-2017)

	2015	2016	2017
Flour & animal feed milling	47	11.86	33.2
Livestock farming	32	17.95	16.77
Consumer products distribution	0	0	0
Bakery	0	14.67	8.7
Contract manufacturing	0	0	0
Cinemas	0	0	0
Environmental engineering & utilities	0	0	0
Property	0	75	0
PPB Head Office	0	0	0

Lost Time Accident (LTA) Rate by Business Unit (Number of Accidents Per 200,000 Working Hours)



Note: Lost time accident (LTA) rate measures the productivity loss due to accidents and is calculated as follows: Total number of accidents x 200,000 man hours divided by total working hours.

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DUST EXPLOSIONS

Dust explosions can be a major hazard in mills and bakeries and typically occur where high concentrations of suspended combustible material ignite due to friction, electrical discharge or surface heat. When occurring in confined spaces, dust explosions can cause injury to personnel, and major damage to structures and equipment.

Our food production operations have a division-specific statement of compliance with Standard C stipulated under the Environment Quality (Clean Air) Regulations 2014, which sets a standard dust concentration limit of 0.4 g/Nm³. The Group's flour and animal feed division is covered by their respective Occupational Health and Safety Policies, and report on LTA rates and fatalities. The division has a target of zero industrial accidents.

HAZARDOUS CHEMICALS

The handling of hazardous chemicals is a prominent workplace issue identified in our food production and contract manufacturing divisions. These divisions have specific statements of compliance and detailed standard operating procedures. Specific training on chemical handling is provided to relevant personnel across the Group's business divisions on an annual basis.

SAFETY INITIATIVES



Our **food production operations** have a division-specific statement of compliance with **Standard C** stipulated under the Environment Quality (Clean Air) Regulations 2014, which sets a standard dust concentration limit of **0.4 g/Nm³**.



A KPI based on the total area (m²) exposed to **noise levels above 85 dB** has been established at our flour and animal feed milling plant in Pulau Indah, and we continually work to reduce this space.

NOISE POLLUTION

Occupational noise is linked to long-term hearing loss, especially where employees are exposed to a variety of continuous and intermittent noise from processes and machinery. This makes noise a significant material issue for our property, food and manufacturing divisions where specific policies are in place to protect workers from damaging noise levels. We have also implemented a system to mitigate noise pollution as far as possible at facilities in these divisions. A KPI based on the total area (m²) exposed to noise levels above 85 dB has been established at our flour and animal feed milling plant in Pulau Indah, and we continually work to reduce this space.

At our other flour and animal feed milling operations, we provide employees with PPE (personal protective equipment) and hearing protection, and appropriate signage is placed in high noise level areas. The division has also organised "Chemical, Noise and Ergonomic" awareness programmes to enhance occupational health standards in the workplace. Respiratory and hearing protection training have also been carried out.



Marketplace Engagement

Marketplace impacts, including governance and ethics, are of high material importance to both the Group and its stakeholders.

CODE OF CONDUCT AND ETHICS

The Group is committed to conducting its businesses in compliance with local laws and regulations and with integrity, transparency and accountability. A code of conduct and ethics, which is included in our respective Group employee handbooks and can be found on our website – www.ppbgroup.com - sets out the standards of conduct and personal behaviour all our directors and employees are required to observe to ensure that the Group's commitment is upheld.



ANTI-CORRUPTION

The Group firmly believes in operating its businesses based on high standards of integrity, transparency, ethics and accountability and is against corruption in all its forms. Our code of conduct and ethics sets out the Group's business values and practices by which all our directors and employees are required to abide. We also have in place a Group-wide whistle-blowing policy with mechanisms to enable employees and external parties to confidentially report any breach, or suspected breach, of any law or of our policies and practices. All complaints are investigated and such breaches can lead to disciplinary measures, including dismissal.

REPORTING

Accuracy, timeliness and transparency in financial reporting is of paramount importance for the Group and its stakeholders. PPB reports its Group's financial performance on a consolidated basis and engages stakeholders regularly through quarterly results announcements and e-Investor Updates. We conduct two press and analyst briefings every year to keep our shareholders and the investment community updated. PPB's financial and operational information can be found on our website – www.ppbgroup.com – where stakeholders may also direct enquiries and provide feedback.

QUALITY AND SAFETY FIRST

Product and/or service quality and safety are without exception of the highest importance to the Group's operations. In the food production division, companies must adhere to specific quality policies and are covered by division-specific statements on food safety and halal compliance.

All relevant business operations comply with applicable food regulations and standards, including HACCP Certification (MS1480:2007), HACCP Codex Alimentarius Certification, GMP Certification (MS1514:2009), ISO 22000 Food Safety Management System and halal certification.

Specific measures have been implemented to enforce our standards in sector-specific contexts. Our livestock farming division collects data on the mortality rate, body weight, uniformity and egg production rate of parent stocks and commercial layers. The number of antibiotic treatments administered is also monitored.

Performance on quality and safety parameters is recognised by awards and acknowledgements received by our divisions. For example, our flour mill in Kota Kinabalu was awarded the National Occupational Safety & Health Excellence Award 2017 under the SME category by the Department of Occupational Safety & Health (DOSH).

Sustainability Statement



GROUP SUSTAINABILITY POLICY

We developed our first Group Sustainability Policy (“Policy”) which was approved by the Board in March 2018 and communicated progressively to the Group subsidiaries. The Policy covers three aspects – Environment, People/Human Rights and Ethics & Marketplace – and provides a framework within which the Group strives to achieve excellence in sustainability. The Policy will be continually improved upon and reviewed from time to time by the SSC for approval by the Board. The Policy can be viewed at www.ppbgroup.com.

CUSTOMER SATISFACTION AND ENGAGEMENT

Customer focus is vital to the continuing growth and success of the Group’s businesses. The Group understands that customer satisfaction and engagement are important material issues that have an impact on its reputation and brands. We enhance our customers’ experience in their dealings with our divisions through various digital and non-digital media. We also incorporate customer feedback in our businesses to enable us to better identify and serve our customers’ needs and concerns.

Regular customer satisfaction surveys are conducted in our flour and animal feed, livestock farming and environmental engineering & utilities divisions, covering areas such as product quality, timeliness, service levels and staff competence. In addition, our flour milling division engages extensively with customers on sustainability-related topics through participation in the Supplier Ethical Data Exchange (Sedex), and provides updated details on labour standards, as well as ethical and environmental practices.

In our cinema division, customer feedback per hundred thousand admissions grew from 73 in 2016 to 141 in 2017. This increase was mainly due to the introduction of Facebook Private Message as an additional and convenient channel for our customers to provide feedback, particularly concerning matters such as screening time enquiries, pricing, subtitles, classifications, promotions, hall bookings

and birthday redemptions. Complaints received by the division per hundred thousand admissions, which mainly concern e-payment transactions, cinema services and facilities issues, fell from 39 in 2016 to 20 in 2017. This follows the division’s implementation of auto sms and email to customers on e-payment failures in October 2017, and a further reduction in complaints is expected in 2018. The division also used mystery customers on a regular basis to assess the quality of its services and products to ensure that customers’ expectations are met.

Our contract manufacturing division has an annual target of eight or fewer complaints, and uses this as a KPI to measure its performance.

INCLUSIVITY AND DIVERSITY

GSC provides accessible facilities including lifts and wheelchair spaces in all its new, and majority of existing cinemas to enhance the cinema-going experience for people living with disabilities. GSC also hosts themed festivals to help drive cultural awareness in our communities.

RECOGNITION

In 2017, GSC won the Gold Award in the Entertainment Category at the Putra Brand Awards for the fourth year in a row. As a result, GSC has been inducted as a Putra Brand Icon, an additional accolade that recognises brands for achieving four consecutive Gold Awards. The Putra Brand Awards reflect the people’s choice of Malaysia’s favourite brands and are based on consumer feedback and satisfaction.

PRIVACY AND PERSONAL DATA PROTECTION

We take our responsibility to protect the individual privacy and personal data of our customers and our employees seriously. All PPB business divisions are compliant with the Personal Data Protection Act 2010 and the relevant divisions have formal customer privacy policies.

Community Investment



CSR TASK FORCE

We see ourselves as a force for good in the communities where we operate. Local wealth creation is identified as an important material issue for the Group and we are committed to balancing our business needs with the need to support community growth and well-being. In this we have taken a more strategic approach to planning and delivering community investment programmes that are closely linked to our businesses and areas of operation.

The SSC is responsible for overseeing the Group's community investments. A CSR Taskforce comprising representatives from our PPB's head office and the various subsidiaries was set up in September 2017 to assist the SSC in devising strategies and reviewing, managing, implementing and tracking our community investment programmes. Our Group community investment strategy has three pillars – Social, Environmental, and Arts and Culture – that support programmes including youth education and development, living skills and standards enhancement, environmental awareness and health activities. PPB does not support causes that may have negative environmental impacts.

PPB-KF WELFARE FUND FOR PERLIS

In 2010, PPB established a RM10 million endowment fund to benefit the poor and underprivileged in Perlis and appointed Kuok Foundation Berhad ("KF") to manage the fund. In 2017, the fund disbursed RM226,060 to provide vouchers for school items to 1,048 needy students, study grants for 12 students and a donation to a retirement home. The fund has so far spent a total of RM1.45 million on school uniforms and shoes for more than 6,000 primary and secondary school children under the annual Educare Project, as well as 69 study grants, 199 one-off scholarships and cash donations to welfare homes.

BACK TO SCHOOL PROJECT

PPB has been contributing free school uniforms and shoes for needy children in various parts of Malaysia under its annual "Back to School" Project, which was launched in 2010. In 2017, 1,198 students from 17 primary schools in Muar, Johor, were the recipients under this Project. A total of RM530,400 has been invested since the project's inception, benefiting 12,500 primary school pupils from various parts of Malaysia.

Sustainability Statement

IMPROVING THE LIVES OF ORANG ASLI COMMUNITIES

PPB has been engaging with Malaysia’s indigenous communities, the Orang Asli, since 2015 and we remain committed to helping address their need for basic amenities and improving their living conditions. We have identified their most pressing needs – the supply of clean water, sanitary facilities, electricity and proper shelter – and are focusing our efforts in these areas. We believe that communities benefiting from this programme should be fully involved, and we encourage them to take ownership of their own well-being and living conditions. To this end, and under the terms of our sponsorship, PPB purchases all materials whilst the communities supply the labour.

For the Jakun Orang Asli communities in Simpai and Tasik Cini in Pahang, we started by sponsoring the construction of wells for supply of clean water. As usage of the wells increased, and bathing in open areas had become inconvenient, we progressed to constructing bathrooms and toilets complete with septic tanks. In Gerik, Perak where clean water can be readily obtained from nearby streams, we have sponsored the building of higher dams and piping systems to provide more convenient access. We have also sponsored the installation of solar panels to ensure electricity supply. To-date, PPB has invested approximately RM120,000 to sponsor construction of the following:

Year	Sponsored	Serves	Location
2015	10 wells	158 individuals in 49 families	Simpai, Pekan
2016	10 wells	244 individuals in 70 families	Tanjong Gong, Tasik Cini
2017	8 toilets & bathrooms	158 individuals in 49 families	Simpai, Pekan
	3 toilets & bathrooms	244 individuals in 70 families	Tanjong Gong, Tasik Cini
	Dam with piping system & solar panels	3 villages	Gerik, Pekan

As part of our continuing commitment to improve the livelihoods of Orang Asli, we have in the pipeline, a project to contribute saplings and farming tools to assist them in their farming activities.

CULTURAL SHOWCASE

GSC plays a significant role in stimulating greater awareness of the arts and in bridging cultures through its GSC International Screens, which exclusively screen foreign language films and hosts international film festivals. GSC has partnered with foreign embassies since 2001 to bring the work of international filmmakers to Malaysians, and is the only local cinema chain to hold annual international film festivals in Malaysia. In 2017, GSC was the official venue for a total of eight film festivals (French, Japanese, European Union, Korean, Thai, Latin American, Czech Republic and Asean/China).



Sustainability Statement

SHOWCASING THE TALENT OF LOCAL ARTISTS

In addition to supporting local filmmakers, GSC also provides exposure for local talent in other artistic fields. In support of local street art, GSC engaged local graffiti artists, Mahathir Masri (aka THEY), Kenji, Eki and Arif Rafhan to decorate the exit hallways of some of its cinemas with movie related graffiti.

ENGLISH LITERACY PROGRAMME

PPB sponsored a half-year English Literacy Programme for 49 children from The Little Yellow Flower Foundation, an NGO that helps underprivileged children achieve a brighter future through its feeding, education and transformation programmes.

GIFT OF LIFE

Blood banks and hospitals need a constant supply of this precious, life-giving fluid. Our Cheras LeisureMall (CLM), a shopping mall owned and managed by PPB, hosts annual blood donation campaigns in support of this cause and to raise public awareness of the important role blood donation plays in saving lives. In 2017, CLM organised four blood donation drives with various parties.

ANIMAL TALES AND "PASS IT ON" PROGRAMMES

CLM organised an Animal Tales Charity Programme on 2 August 2017 in support of SPCA Selangor. More than 2,000 participants came together to stick 3 tonnes of recycled, environmentally and child-friendly Crayola crayon pieces to 2,270 mini mosaics to create a 10 metre by 7 metre giant mosaic depicting a harmonious group of animals living in the wild. A total of RM45,000 was raised from participants and donations by PPB. The giant mosaic was recognised by the Malaysia Book of Records as the "Biggest Mosaic Made of Crayons" in Malaysia. In December 2017, CLM launched a "Pass It On" programme with the Yue Shan Music Academy Charity Organisation. The programme aims to encourage people to donate pre-loved musical instruments to help underprivileged children discover, explore and realise their musical talents.

FESTIVE CHEER

Festivals are not only times for celebration but also for sharing and bringing cheer to the less fortunate. Each year, the Group celebrates the main festivals with underprivileged groups by organising lunches, activities and events, giving out festive goodies and fulfilling some of their wishes.

28 March 2018



Directors' Responsibility Statement

In preparing the annual financial statements of the Group and of the Company, the Directors are collectively responsible to ensure that these financial statements have been prepared to give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year in accordance with the applicable Financial Reporting Standards in Malaysia, the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing the financial statements for the year ended 31 December 2017 set out on pages 86 to 176 of this Annual Report, the Directors have applied appropriate accounting policies on a consistent basis and made judgments and estimates that are fair and reasonable.

The Directors have responsibility for ensuring that proper accounting records are kept which disclose with reasonable accuracy financial information for preparation of the financial statements.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 28 March 2018.

FINANCIAL STATEMENTS

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Directors' Report

The Directors are pleased to submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are property investment and investment holding.

The principal activities of the subsidiaries of the Group are grains and agribusiness; consumer products; film exhibition and distribution; environmental engineering and utilities; property; chemicals trading and manufacturing and investment holding.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	1,238,691	384,280
Attributable to:		
Owners of the parent	1,205,447	384,280
Non-controlling interests	33,244	-
	1,238,691	384,280

DIVIDENDS

The dividends paid by the Company since the end of the previous financial year are as follows:

	RM'000
In respect of the financial year ended 31 December 2016 as disclosed in the Directors' report of that year:	
Final dividend of 17 sen per share paid on 25 May 2017	201,535
In respect of the financial year ended 31 December 2017:	
Interim dividend of 8 sen per share paid on 28 September 2017	94,840
	296,375

The Directors have recommended a final dividend of 22 sen per share in respect of the financial year ended 31 December 2017 for shareholders' approval at the forthcoming Annual General Meeting ("AGM").

Together with the interim dividend already paid, the total dividends paid and proposed for the financial year ended 31 December 2017 would be 30 sen per share.

Directors' Report

RESERVES AND PROVISIONS

There were no material transfers to and from reserves and provisions during the financial year except as disclosed in the consolidated statement of changes in equity.

SHARES AND DEBENTURES

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

DIRECTORS

The Board of Directors since the date of the last report are as follows:

Tan Sri Datuk Oh Siew Nam	<i>(Chairman)</i>
Lim Soon Huat	<i>(Managing Director)</i>
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	
Datuk Ong Hung Hock	
Soh Chin Teck	
Ahmad Riza bin Basir	
Tam Chiew Lin	

Datuk Ong Hung Hock and Mr Soh Chin Teck retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election as Directors.

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The directors of the Company's subsidiaries (excluding directors who are also Directors of the Company) during the financial year up to the date of this report are disclosed in the Appendix to the Directors' report.

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, the interests of Directors who held office at the end of the financial year in shares of the Company and its related corporations are as follows:

Directors' Report

Interest in the Company

Name of Director	<i>No. of ordinary shares registered in the name of Directors</i>			
	As at 1.1.17	Bought	Sold	As at 31.12.17
Tan Sri Datuk Oh Siew Nam	120,666	-	-	120,666
Tam Chiew Lin	6,000	-	-	6,000

Name of Director	<i>No. of ordinary shares in which the Directors are deemed to have interest</i>			
	As at 1.1.17	Bought	Sold	As at 31.12.17
Tan Sri Datuk Oh Siew Nam	1,204,498	-	-	1,204,498
Tam Chiew Lin	10,000	-	-	10,000

Interest in subsidiary – Tego Sdn Bhd

Name of Director	<i>No. of ordinary shares in which the Director is deemed to have interest</i>			
	As at 1.1.17	Bought	Sold	As at 31.12.17
Tan Sri Datuk Oh Siew Nam	18,000	-	-	18,000

Interest in holding company – Kuok Brothers Sdn Berhad

Name of Director	<i>No. of ordinary shares registered in the name of Directors</i>			
	As at 1.1.17	Bought	Sold	As at 31.12.17
Lim Soon Huat	200,000	-	-	200,000
Datuk Ong Hung Hock	290,000	-	-	290,000

Directors' Report

Name of Director	No. of ordinary shares in which the Director is deemed to have interest			
	As at 1.1.17	Bought	Sold	As at 31.12.17
Tan Sri Datuk Oh Siew Nam	4,966,667	-	-	4,966,667

Interest in subsidiary of holding company – Coralbid (M) Sdn Bhd

Name of Director	No. of ordinary shares in which the Director is deemed to have interest			
	As at 1.1.17	Bought	Sold	As at 31.12.17
Tan Sri Datuk Oh Siew Nam	100,000	-	-	100,000

The other Directors who are holding office at 31 December 2017 did not have any interest in the ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' INTERESTS IN CONTRACTS, BENEFITS AND EMOLUMENTS

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

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Details of the remuneration and other benefits of the Directors, and the amount of premium on insurance effected for directors and officers of the Group and Company are set out in note 6 to the financial statements.

INFORMATION ON THE FINANCIAL STATEMENTS

- (a) Before the Group's and the Company's income statement and statement of financial position were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

Directors' Report

- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability which has arisen in the Group or in the Company since the end of the financial year.

OTHER STATUTORY INFORMATION

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 respective financial statements misleading.

In the opinion of the Directors:

- (a) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature;
- (b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made; and
- (c) no contingent or other liability has become enforceable, or is likely to become enforceable, within the succeeding period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

Directors' Report

ULTIMATE HOLDING COMPANY

The Directors regard Kuok Brothers Sdn Berhad, a company incorporated in Malaysia, as the ultimate holding company.

SUBSIDIARIES

Details of the subsidiaries are set out in note 53 to the financial statements.

AUDITORS

Details of the auditors' remuneration are set out in note 6 to the financial statements.

The auditors, Mazars PLT, have indicated their willingness to continue in office.

APPROVAL OF THE DIRECTORS' REPORT

This report is approved by the Board of Directors in accordance with a directors' resolution dated 28 March 2018.

On behalf of the board

TAN SRI DATUK OH SIEW NAM

Chairman

Kuala Lumpur
28 March 2018

LIM SOON HUAT

Managing Director

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
Revenue	3	4,305,051	4,186,376
Cost of sales	4	(3,754,149)	(3,546,290)
Gross profit		550,902	640,086
Other income		148,763	171,282
Distribution costs		(209,450)	(197,077)
Administrative expenses		(195,907)	(176,236)
Other expenses		(32,327)	(36,878)
Share of net profits less losses of associates		1,052,924	830,462
Share of profits of joint venture		3,689	4,841
Finance costs	5	(25,447)	(25,370)
Profit before tax	6	1,293,147	1,211,110
Tax expense	7	(54,456)	(104,239)
Profit for the year		1,238,691	1,106,871
Attributable to:			
Owners of the parent		1,205,447	1,044,993
Non-controlling interests		33,244	61,878
		1,238,691	1,106,871
Basic earnings per share attributable to owners of the parent (sen)	8	101.7	88.2

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 RM'000	2016 RM'000
Profit for the year	1,238,691	1,106,871
Other comprehensive income/(loss), net of tax		
Items that will be subsequently reclassified to profit or loss		
Foreign exchange differences arising during the year:		
- Gains/(losses) on translation of foreign operations	(1,772,242)	729,340
Fair value of available-for-sale financial assets:		
- Gains arising during the year	282,677	13,171
Share of associates' other comprehensive gains/(losses)	497,144	(441,751)
Total comprehensive income	246,270	1,407,631
Attributable to:		
Owners of the parent	232,145	1,339,922
Non-controlling interests	14,125	67,709
	246,270	1,407,631

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	2017 RM'000	2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,344,173	1,353,204
Investment properties	10	216,811	194,455
Biological assets	11	2,844	3,364
Land held for property development	12	85,272	84,923
Goodwill	13	73,704	73,704
Other intangible assets	14	3,059	3,233
Investments in associates	16	17,221,581	17,662,449
Investment in joint venture	17	61,595	65,418
Other investments	18	722,221	440,356
Deferred tax assets	19	2,164	2,771
Total non-current assets		19,733,424	19,883,877
Current assets			
Inventories	21	815,569	620,464
Biological assets	11	18,969	19,417
Other intangible assets	14	14,510	14,850
Property development costs	22	5,360	-
Gross amount due from customers	23	34,853	29,563
Trade receivables	24	615,117	560,083
Other receivables, deposits and prepayments	25	107,523	105,295
Amount due from associates	26	175,392	257,880
Derivative financial assets	27	17	3,276
Current tax assets		18,086	5,985
Deposits	28	240,511	305,831
Short-term fund placements	29	817,497	666,959
Cash and bank balances	30	281,135	205,471
		3,144,539	2,795,074
Assets classified as held for sale	31	10,163	23,759
Total current assets		3,154,702	2,818,833
TOTAL ASSETS		22,888,126	22,702,710

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	2017 RM'000	2016 RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	32	1,192,215	1,185,500
Share premium		-	6,715
Other non-distributable reserves	33	2,278,784	3,226,283
Retained earnings		17,427,041	16,554,092
Equity attributable to owners of the parent		20,898,040	20,972,590
Non-controlling interests		676,176	695,143
Total equity		21,574,216	21,667,733
Non-current liabilities			
Long-term bank borrowings	34	35,974	72,918
Deferred tax liabilities	35	91,857	99,266
Total non-current liabilities		127,831	172,184
Current liabilities			
Gross amount due to customers	23	472	1,536
Trade payables	36	236,324	225,375
Other payables and accruals	37	192,541	147,865
Amount due to associates	26	4,064	2,950
Derivative financial liabilities	27	337	5,221
Short-term borrowings	38	744,269	454,028
Bank overdrafts	39	480	1,058
Current tax liabilities		6,107	24,760
		1,184,594	862,793
Liability associated with assets classified as held for sale	31	1,485	-
Total current liabilities		1,186,079	862,793
Total liabilities		1,313,910	1,034,977
TOTAL EQUITY AND LIABILITIES		22,888,126	22,702,710

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

		← Attributable to owners of the parent →			
		← Non-distributable →			
	Note	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Exchange Translation Reserve RM'000
At 1 January 2016		1,185,500	6,715	40,477	2,729,110
Other comprehensive income/(loss)		-	-	-	370,300
Profit for the year		-	-	-	-
Total comprehensive income/(loss)		-	-	-	370,300
Changes in equity interest in an associate	40	-	-	-	-
Transfer of reserves	41	-	-	(966)	-
Dividends paid to shareholders of the Company	42	-	-	-	-
Dividends paid to non-controlling interests of a subsidiary		-	-	-	-
Acquisition of shares in a subsidiary		-	-	-	-
Realisation upon liquidation of subsidiaries		-	-	-	-
Realisation upon disposal of a subsidiary	43	-	-	-	-
Issue of shares to non-controlling interests		-	-	-	-
At 31 December 2016		1,185,500	6,715	39,511	3,099,410
At 1 January 2017		1,185,500	6,715	39,511	3,099,410
Other comprehensive income/(loss)		-	-	-	(1,345,544)
Profit for the year		-	-	-	-
Total comprehensive income/(loss)		-	-	-	(1,345,544)
Changes in equity interest in an associate	40	-	-	-	-
Transfer of reserves	41	-	-	(545)	-
Transfer pursuant to Companies Act 2016		6,715	(6,715)	-	-
Dividends paid to shareholders of the Company	42	-	-	-	-
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-
Acquisition of shares in a subsidiary		-	-	-	-
At 31 December 2017		1,192,215	-	38,966	1,753,866

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

Fair Value Reserve RM'000	Hedge Reserve RM'000	Capital Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
(3,729)	(11,516)	165,798	15,804,622	19,916,977	635,594	20,552,571
13,171	(39,484)	(49,058)	-	294,929	5,831	300,760
-	-	-	1,044,993	1,044,993	61,878	1,106,871
13,171	(39,484)	(49,058)	1,044,993	1,339,922	67,709	1,407,631
-	-	-	6,212	6,212	-	6,212
-	-	12,180	(10,929)	285	(285)	-
-	-	-	(296,375)	(296,375)	-	(296,375)
-	-	-	-	-	(6,793)	(6,793)
-	-	-	5,569	5,569	(7,118)	(1,549)
-	-	-	-	-	(3,165)	(3,165)
-	-	-	-	-	(463)	(463)
-	-	-	-	-	9,664	9,664
9,442	(51,000)	128,920	16,554,092	20,972,590	695,143	21,667,733
9,442	(51,000)	128,920	16,554,092	20,972,590	695,143	21,667,733
282,677	64,528	25,037	-	(973,302)	(19,119)	(992,421)
-	-	-	1,205,447	1,205,447	33,244	1,238,691
282,677	64,528	25,037	1,205,447	232,145	14,125	246,270
-	-	-	(12,439)	(12,439)	-	(12,439)
-	-	26,348	(25,803)	-	-	-
-	-	-	-	-	-	-
-	-	-	(296,375)	(296,375)	-	(296,375)
-	-	-	-	-	(30,873)	(30,873)
-	-	-	2,119	2,119	(2,219)	(100)
292,119	13,528	180,305	17,427,041	20,898,040	676,176	21,574,216

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,293,147	1,211,110
Adjustments for non-cash items:		
Amortisation and depreciation	150,610	145,784
Bad and doubtful debts	89	2,468
Property, plant and equipment, investment properties and other intangible assets written off	1,424	738
Net gain on disposal of property, plant and equipment, investment properties and assets held for sale	(8,297)	(6,079)
Share of net profits less losses of associates	(1,052,924)	(830,462)
Share of profits of joint venture	(3,689)	(4,841)
Inventories written down	222	6,718
Biological assets written down	3,085	-
Unrealised net foreign exchange loss	20,139	8,156
Unrealised net loss on fair value of derivative financial instruments	4,148	9,688
Interest expense	25,447	25,370
Dividend income	(8,670)	(6,098)
Income from short-term fund placements	(25,307)	(21,011)
Interest income	(16,557)	(19,260)
Rental income	(5,157)	(5,806)
Other non-cash items	(2)	351
Operating profit before working capital changes	377,708	516,826
Adjustments for working capital changes:		
Land and development expenditure	(349)	7,622
Inventories, biological assets and other intangible assets	(251,209)	35,290
Gross amounts due from/to customers	(6,350)	47,472
Receivables	(96,531)	21,379
Payables	62,620	(155,382)
Cash generated from operations	85,889	473,207
Tax paid	(91,485)	(91,123)
Net cash generated from/(used in) operating activities	(5,596)	382,084

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of shares in a subsidiary		(100)	(1,545)
Surplus/(Deficit) from liquidation of subsidiaries		750	(3,101)
Acquisition of equity interest in associates		(29,077)	(2,854)
Proceeds from disposal of subsidiaries	43	-	11,876
Repayment from/(Advances to) associates		68,034	(49,470)
Purchase of property, plant and equipment		(146,363)	(147,589)
Purchase of land held for property development, investment properties, biological assets and other intangible assets		(22,320)	(51,616)
Proceeds from disposal of property, plant and equipment, investment properties and assets held for sale		37,082	25,417
Distribution of profits from joint venture		5,532	4,988
Dividends received from associates		273,949	294,726
Dividends received from other investments		8,670	6,098
Income received from short-term fund placements		15,036	20,348
Interest received		16,871	20,117
Rental received		5,157	5,806
Other investing activities		-	332
Net cash generated from investing activities		233,221	133,533

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 RM'000	2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued to non-controlling interests of subsidiaries	-	9,664
Revolving credits, banker's acceptance and short-term loans	332,386	(181,041)
Bank term loans	(32,093)	(38,725)
Payment of hire purchase liabilities	-	(6)
Interest paid	(25,122)	(24,997)
Dividends paid to owners of the parent	(296,375)	(296,375)
Dividends paid to non-controlling interests of subsidiaries	(30,873)	(6,793)
Net cash used in financing activities	(52,077)	(538,273)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	175,548	(22,656)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	1,177,203	1,196,309
EFFECTS OF EXCHANGE RATE CHANGES	(14,088)	3,550
CASH AND CASH EQUIVALENTS CARRIED FORWARD	1,338,663	1,177,203
Represented by:		
Cash and bank balances	281,135	205,471
Deposits	240,511	305,831
Short-term fund placements	817,497	666,959
Bank overdrafts	(480)	(1,058)
	1,338,663	1,177,203

The accompanying notes form an integral part of the financial statements

Income Statement

For the year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
Revenue	3	403,549	387,550
Cost of sales	4	(23,874)	(22,791)
Gross profit		379,675	364,759
Other income		28,320	26,686
Administrative expenses		(23,458)	(21,692)
Profit before tax	6	384,537	369,753
Tax expense	7	(257)	(1,567)
Profit for the year		384,280	368,186

Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 RM'000	2016 RM'000
Profit for the year	384,280	368,186
<u>Other comprehensive income, net of tax</u>		
Items that will be subsequently reclassified to profit or loss		
Fair value gains of available-for-sale financial assets	267,232	12,568
Total comprehensive income	651,512	380,754

The accompanying notes form an integral part of the financial statements

Statement of Financial Position

As at 31 December 2017

	Note	2017 RM'000	2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,604	1,903
Investment properties	10	301,650	290,472
Investments in subsidiaries	15	1,490,252	1,495,414
Investments in associates	16	8,782,287	8,782,287
Other investments	18	686,278	419,046
Total non-current assets		11,262,071	10,989,122
Current assets			
Trade receivables	24	667	511
Other receivables, deposits and prepayments	25	2,949	3,054
Amount due from subsidiaries	20	12,557	4,429
Amount due from associates	26	7,084	6,391
Current tax asset		672	-
Deposits	28	84,880	132,290
Short-term fund placements	29	637,879	519,657
Cash and bank balances		2,947	4,113
Total current assets		749,635	670,445
TOTAL ASSETS		12,011,706	11,659,567
EQUITY AND LIABILITIES			
Equity			
Share capital	32	1,192,215	1,185,500
Share premium		-	6,715
Fair value reserve		(45,986)	(313,218)
Retained earnings		10,849,107	10,761,202
Total equity		11,995,336	11,640,199
Non-current liability			
Deferred tax liabilities	35	555	595
Current liabilities			
Trade payables	36	369	591
Other payables and accruals	37	15,134	13,002
Amount due to subsidiaries	20	1	5,104
Amount due to associate	26	311	-
Current tax liabilities		-	76
Total current liabilities		15,815	18,773
Total liabilities		16,370	19,368
TOTAL EQUITY AND LIABILITIES		12,011,706	11,659,567

The accompanying notes form an integral part of the financial statements

Statement of Changes in Equity

For the year ended 31 December 2017

	Note	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	Total RM'000
At 1 January 2016		1,185,500	6,715	(325,786)	10,689,391	11,555,820
Other comprehensive income		-	-	12,568	-	12,568
Profit for the year		-	-	-	368,186	368,186
Total comprehensive income		-	-	12,568	368,186	380,754
Dividends paid to shareholders of the Company	42	-	-	-	(296,375)	(296,375)
At 31 December 2016		1,185,500	6,715	(313,218)	10,761,202	11,640,199
At 1 January 2017		1,185,500	6,715	(313,218)	10,761,202	11,640,199
Other comprehensive income		-	-	267,232	-	267,232
Profit for the year		-	-	-	384,280	384,280
Total comprehensive income		-	-	267,232	384,280	651,512
Transfer pursuant to Companies Act 2016		6,715	(6,715)	-	-	-
Dividends paid to shareholders of the Company	42	-	-	-	(296,375)	(296,375)
At 31 December 2017		1,192,215	-	(45,986)	10,849,107	11,995,336

The accompanying notes form an integral part of the financial statements

Statement of Cash Flows

For the year ended 31 December 2017

	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	384,537	369,753
Adjustments for non-cash items:		
Amortisation and depreciation	6,500	7,167
Dividend income	(372,283)	(353,139)
Income from short-term fund placements	(20,238)	(17,077)
Interest income	(5,640)	(7,195)
Other non-cash items	168	722
Operating profit/(loss) before working capital changes	(6,956)	231
Adjustments for working capital changes:		
Receivables	6,011	(351)
Payables	1,911	(1,343)
Cash generated from/(used in) operations	966	(1,463)
Tax paid	(1,045)	(1,905)
Net cash used in operating activities	(79)	(3,368)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment properties	(17,244)	(3,334)
Subscription of redeemable preference shares in a subsidiary	-	(40,000)
Loan to a subsidiary	(8,000)	-
Advances to subsidiaries	(5)	(2,183)
Dividends received from subsidiaries	104,250	68,565
Dividends received from associates	259,870	278,849
Dividends received from other investments	8,163	5,725
Income received from short-term fund placements	13,770	16,462
Interest received	5,597	7,665
Other investing activities	(301)	(177)
Net cash generated from investing activities	366,100	331,572
CASH FLOWS FROM FINANCING ACTIVITY		
Dividends paid	(296,375)	(296,375)
Net cash used in financing activity	(296,375)	(296,375)
NET INCREASE IN CASH AND CASH EQUIVALENTS	69,646	31,829
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	656,060	624,231
CASH AND CASH EQUIVALENTS CARRIED FORWARD	725,706	656,060
Represented by:		
Cash and bank balances	2,947	4,113
Deposits	84,880	132,290
Short-term fund placements	637,879	519,657
	725,706	656,060

The accompanying notes form an integral part of the financial statements

Notes to the Financial Statements

31 December 2017

1. GENERAL

The Company is a public company limited by way of shares incorporated in Malaysia under the Companies Act 1965. The Company is domiciled in Malaysia. The shares of the Company are listed on the Main Market of Bursa Malaysia Securities Berhad.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements comply with applicable approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") and with the provisions of the Companies Act 2016.

The measurement bases applied in the preparation of the financial statements include cost, recoverable value, realisable value, revalued amount and fair value.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand.

2.2 Changes in accounting policies

The significant accounting policies adopted by the Group and the Company are consistent with those of the previous financial year except for the adoption of the following Amendments to FRSs, effective for financial periods beginning on or after 1 January 2017:

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRS 12	Annual Improvements to FRSs 2014-2016 Cycle

The adoption of the above Amendments to FRSs do not have significant financial impact on the Group and the Company.

2.3 Standards issued that are not yet effective

Malaysian Financial Reporting Standards ("MFRS")

On 19 November 2011, the MASB issued a new approved accounting framework, i.e. Malaysian Financial Reporting Standards. MFRS was to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of *MFRS 141 Agriculture and/or Issues Committee Interpretation ("IC Interpretation") 15 Agreements for Construction of Real Estate*, including the entities' parent, significant investor and venturer (referred to as "Transitioning Entities" collectively). Transitioning Entities are allowed to defer adoption of MFRS, and continue to use the existing FRS framework until the MFRS framework is mandated by the MASB. The Group falls within the definition of Transitioning Entities and has opted to defer adoption of the MFRS.

According to an announcement made by the MASB on 28 October 2015, all Transitioning Entities shall adopt the MFRS framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2018.

The Group will adopt the MFRS framework and prepare its first set of MFRS financial statements for the financial year ending 31 December 2018. In presenting its first set of MFRS financial statements in accordance with MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*, adjustments will also be made on the comparative financial information, i.e. the financial statements for the year ended 31 December 2017. The adjustments required on transition are expected to be made retrospectively, other than those exempted under MFRS 1. Accordingly, the financial performance and financial position of the Group and the Company as presented in these financial statements for the year ended 31 December 2017 could be different if prepared in accordance with MFRS.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued that are not yet effective (continued)

Malaysian Financial Reporting Standards ("MFRS") (continued)

In addition to the MFRSs which are effective from 1 January 2017, the following MFRSs, Amendments to MFRSs and IC Interpretation have been issued by the MASB and relevant to the Group and the Company but are not yet effective and applicable upon adoption of the MFRS Framework:

MFRSs, Amendments to MFRSs and IC Interpretations		Effective for financial periods beginning on or after
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 1 and MFRS 128	Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

The Group has assessed the impact on the adoption of MFRS framework. Based on the then facts and circumstances, the foreseeable impact on the financial position and financial performance of the Group is summarised below:

(i) *MFRS 9 – Financial Instruments*

MFRS 9 addresses the classification, recognition, derecognition, measurement and impairment of financial assets and financial liabilities, as well as general hedge accounting. It replaces *MFRS 139*. *MFRS 9* requires financial assets to be classified into two measurement categories, i.e. at fair value and at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the *MFRS 139* requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to changes in an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch. *MFRS 9* contains a new impairment model based on expected losses (as opposed to the 'incurred loss' model under *MFRS 139*), i.e. a loss event need not occur before an impairment loss is recognised, which will result in earlier recognition of losses.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued that are not yet effective (continued)

Malaysian Financial Reporting Standards ("MFRS") (continued)

(ii) *MFRS 15 - Revenue from Contracts with Customers*

MFRS 15 introduces a new model for revenue recognition arising from contracts with customers. *MFRS 15* will replace *MFRS 111 Construction Contracts*, *MFRS 118 Revenue*, *IC 15 Agreements for the Construction of Real Estate*, *IC 18 Transfers of Assets from Customers* and *IC 31 Revenue - Barter Transactions Involving Advertising Services*. The application of *MFRS 15* will result in a difference in timing of revenue recognition and basis of measurement of revenue, cost and expenses in connection with certain contracts with customers of the Group as compared with current accounting policies.

(iii) *Agricultural activity*

Agricultural activity is the management of the biological transformation of living animals or plants for sale, into agricultural produce, or into additional biological assets.

MFRS 141 Agriculture prescribes the accounting treatment, financial statement presentation and disclosures related to agricultural activity. A biological asset (except for a bearer plant) shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. Agricultural produce harvested from biological assets shall be measured at its fair value less costs to sell at the point of harvest.

A bearer plant is a living plant that is used in the production or supply of agricultural produce. *MFRS 116 Property, plant and equipment* requires a bearer plant to be accounted for in the same manner as a self-constructed item of property, plant and equipment. The Group has elected to measure its bearer plants at cost less accumulated depreciation and impairment losses.

Based on the then facts and circumstances of assessment, the application of the MFRS framework is not expected to have material impact on the financial position and financial performance of the Group and of the Company.

Accounting Pronouncements Effective on or after 1 January 2019

The following MFRS, Amendments to MFRSs and IC Interpretation have been issued by the MASB and relevant to the Group and the Company after adoption of MFRS framework. The Group and the Company will adopt the following MFRS, Amendments to MFRSs and IC Interpretation at their respective effective date.

MFRSs, Amendments to MFRSs and IC Interpretations		Effective for financial periods beginning on or after
MFRS 16	Leases	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3, MFRS 11, MFRS 112 and MFRS 123	Annual improvements to MFRSs 2015-2017 Cycle	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by MASB

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued that are not yet effective (continued)

Malaysian Financial Reporting Standards ("MFRS") (continued)

The adoption of the above MFRS, Amendments to MFRSs and IC Interpretation at their respective effective date is not expected to have significant impact on the financial position and financial performance of the Group and of the Company, except for *MFRS 16*.

MFRS 16 - Leases

Currently under *MFRS 117 Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases but not operating leases. *MFRS 16* eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto the statement of financial position, and recording of certain leases as off-balance sheet leases will no longer be allowed except for some limited exemptions. For a lessee that has material operating leases, the application of *MFRS 16* may result in significant increase in assets and liabilities reported on its statement of financial position as compared with *MFRS 117*.

MFRS 16 will replace *MFRS 117 Leases*, *IC Interpretation 115 Operating Leases – Incentives* and *IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Group and the Company have yet to assess the full impact on adoption of *MFRS 16*, and intend to adopt *MFRS 16* no later than the accounting period beginning on or after 1 January 2019.

2.4 Significant accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting period, and reported amounts of income and expenses during the financial year.

Although these estimates are based on management's best knowledge of current events and actions, historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (continued)

(a) Critical judgement made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

(i) *Revenue recognition of property development activities and engineering contracts*

The Group recognises property development and engineering contracts revenue and expenses based on the percentage of completion method. The stages of completion of the property development activities and engineering contracts are measured in accordance with the accounting policies set out in notes 2.11 and 2.15.

Significant judgement is required in determining the percentage of completion, the extent of the development project and contract costs incurred, the estimated total revenue and total costs and the recoverability of the development project and contract. In making these judgements, management relies on past experience and the work of specialists.

(ii) *Allowance for doubtful debts*

The collectibility of receivables is assessed on an on-going basis. An allowance for doubtful debts is made for any account considered to be doubtful of collection.

The allowance for doubtful debts is made based on a review of outstanding balances as at the end of the reporting period. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and past collection history of each debtor. If the financial condition of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be deemed required. The carrying amount of the Group and the Company's receivables at the end of the reporting period are disclosed in notes 20, 24, 25 and 26.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (continued)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources associated with estimation uncertainty at the end of the reporting period that have significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year are discussed below:

(i) *Depreciation of property, plant and equipment and investment properties*

Property, plant and equipment and investment properties are depreciated on a straight-line basis over the estimated useful lives of the assets. Management estimates the useful lives of these assets to be between 2 to 50 years for property, plant and equipment and between 10 to 50 years for investment properties, except for leasehold land which is over the remaining period of the lease.

Changes in the expected level of usage, physical wear and tear and technological development could impact the economic useful lives and residual values of these assets, and therefore future depreciation charges may be revised. The carrying amount of the Group and the Company's property, plant and equipment and investment properties at the end of the reporting period are disclosed in notes 9 and 10.

(ii) *Impairment loss and write down of inventories*

Inventories are stated at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of the expected selling prices.

Inventories are reviewed on a regular basis and the Group will recognise an impairment loss for obsolete inventories based primarily on historical trends and management's expectation of future product demand and related pricing.

Demand levels, technological advances and pricing competition could change from time to time. If such factors result in an adverse effect to the Group's products, the Group might be required to write down the value of its inventories and additional impairment losses for slow-moving inventories may be required. The carrying amount of the Group's inventories are disclosed in note 21.

(iii) *Impairment of goodwill*

The Group performs goodwill impairment test annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated.

Management ascertains the value-in-use by an estimate of the expected future cash flows from the cash-generating unit and applies a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the Group's goodwill is disclosed in note 13.

(iv) *Impairment of investments in subsidiaries, associates and joint venture*

Investments in subsidiaries, associates and joint venture are assessed at the end of each reporting period to determine whether there is any indication of impairment. If such an indication exists, an estimation of their recoverable amount is required.

Managements ascertains the recoverable amount by an estimate of the expected future cash flows from the subsidiaries, associates and joint venture and applies a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the Group's investments in associates and joint venture as well as the Company's investments in subsidiaries and associates at the end of the reporting period are disclosed in notes 15, 16 and 17.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Subsidiaries

Investments in subsidiaries are stated at cost less impairment losses, unless the investment is classified as held for sale.

On disposal, the difference between the net disposal proceeds and the carrying value of the subsidiary concerned is taken to the income statement.

2.6 Basis of consolidation

The consolidated financial statements incorporated the financial statements of the Company and of all the subsidiaries controlled by the Company made up to the end of the financial year.

The Company controls an entity if and only if the Company has all the following:

- (i) power over the entity;
- (ii) exposure, or rights, to variable returns from its involvement with the entity; and
- (iii) the ability to use its power over the entity to affect the amount of the returns.

Potential voting rights are considered when assessing control only if the rights are substantive.

All subsidiaries are consolidated using the acquisition method of accounting from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

The consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only.

The Company attributes the profit or loss and each component of other comprehensive income to the owners of the Company and to non-controlling interests. The Company also attributes total comprehensive income to the owners of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Change in ownership interest which does not result in a loss of control is accounted for within equity. Where the change in ownership interest results in loss of control, any remaining interest in the former subsidiary is remeasured at fair value and a gain or loss is recognised in the income statement.

Under the acquisition method of accounting, the cost of an acquisition is measured as the aggregate of the fair value of the assets acquired, liabilities assumed and equity instruments issued at the date of exchange. Any consideration transferred is to be measured at fair value as of the acquisition date. Non-controlling interests that have present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. All the acquisition-related costs are expensed off to the income statement.

Goodwill on acquisition is measured as the difference between the aggregate of the fair value of the consideration transferred, any non-controlling interests in the acquiree and the fair value at the acquisition date of any previously held equity interest in the acquiree (if acquired via "piecemeal acquisition"), and the net fair value of the identifiable assets acquired. Any gain from an acquisition (i.e. "negative goodwill") will be recognised directly in the income statement.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Associates and joint venture

An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but no control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint venture are stated at cost less impairment losses, unless the investment is classified as held for sale.

On disposal, the difference between the net disposal proceeds and the carrying amounts of the associate and joint venture disposed of are taken to the income statement.

Investments in associates or joint venture are accounted for in the consolidated financial statements using the equity method of accounting less any impairment losses, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. Under the equity method, investments in associates or joint venture are initially recognised at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the associates or joint venture.

The Group's share of net profits or losses and changes recognised in the other comprehensive income of the associates or joint venture are recognised in the consolidated income statement and consolidated statement of comprehensive income respectively. The Group's share of an associate's net changes, other than profit or loss or other comprehensive income and distribution received, is recognised in equity.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the Group obtains significant influence or joint control until the date the Group ceases to have significant influence or joint control over the associate or joint venture.

Premium relating to an associate or a joint venture is included in the carrying value of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment.

Discount on acquisition is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Unrealised gains or losses on transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's interest in the associates or joint venture.

When the Group's share of losses exceeds its interest in an equity accounted associate or joint venture, the carrying amount of that interest including any long-term investments is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payment on behalf of the associate.

The results and reserves of associates or joint venture are accounted for in the consolidated financial statements prepared using accounting policies that conform to those used by the Group for like transactions in similar circumstances.

When changes in the Group's interests in an associate do not result in a loss of significant influence, the retained interests in the associate are not remeasured. Any gain or loss arising from the changes in the Group's interests in the associate is recognised in the income statement.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate is recognised at fair value on the date when significant influence is lost. Any gain or loss arising from the loss of significant influence over an associate is recognised in the income statement.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment

(a) Measurement basis

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

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of an asset. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is contracted as a consequence of acquiring or using the asset.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(b) Depreciation

Freehold land and capital work-in-progress are not depreciated.

Depreciation is calculated to write off the depreciable amount of property, plant and equipment other than freehold land on a straight-line basis over their estimated useful lives. The depreciable amount is determined after deducting residual value from cost.

The principal annual depreciation rates used for this purpose are:

Land and buildings	2% – 20%	or over the remaining period of lease
Plant and machinery	5% – 33⅓%	
Motor vehicles	5% – 20%	
Furniture, fittings, office and other equipment	10% – 50%	

The residual values, useful lives and depreciation methods are reviewed, and adjusted if deemed appropriate, at the end of each reporting period.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes, or sale in the ordinary course of business. Investment properties include properties that are being constructed or developed for future use as investment properties.

(a) Measurement basis

Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of investment properties includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount when it is probable that 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 the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(b) Depreciation

Freehold land is not depreciated.

Depreciation is calculated to write off the depreciable amount of other investment properties on a straight-line basis over their estimated useful lives. Depreciable amount is determined after deducting the residual value from the cost of the investment property.

The principal annual depreciation rates used for this purpose are:

Freehold buildings	2%	
Leasehold land and buildings	2% – 10%	or over the remaining period of lease

The residual values, useful lives and depreciation methods are reviewed, and adjusted if deemed appropriate, at the end of each reporting period.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Biological assets

Biological assets comprise primarily livestock and oil palms.

(a) Livestock

Livestock is valued at the lower of amortised cost and net realisable value.

Cost includes the cost of the parent stock plus all attributable costs including overheads incurred in nursing the parent stock to the point of laying, and such cost is then amortised over its estimated economic life ranging from 21 days to 18 months. Accordingly, it is classified as a current asset.

Net realisable value is defined as the aggregate income expected to be generated from total day-old chicks and eggs to be produced and proceeds from the disposal of the ex-broiler parent stock less expenses expected to be incurred to maintain the parent stock up to its disposal.

(b) Oil palms

New planting and replanting expenditure incurred on land clearing and upkeep of palms up to the point of harvesting are capitalised and are amortised on a straight-line basis over their estimated useful lives. Management estimates that the useful lives of the oil palms to be 25 years. Accordingly, they are classified as non-current assets.

2.11 Property development

Property development is classified under two categories i.e. land held for property development and property development costs.

Land held for property development is defined as land on which development is not expected to be completed within the normal operating cycle. Usually, no significant development work would have been undertaken on these lands. Accordingly, land held for property development is classified as a non-current asset and is stated at cost plus incidental expenditure incurred to put the land in a condition ready for development.

Land on which development has commenced and is expected to be completed within the normal operating cycle is included in property development costs. Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Where the outcome of a development activity can be reasonably estimated, revenue and expenses are recognised on the percentage of completion method. The stage of completion is determined by the proportion that costs incurred to-date bear to estimated total costs. In applying this method of determining stage of completion, only those costs that reflect actual development work performed are included as costs incurred.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Property development (continued)

Where the outcome of a development activity cannot be reasonably estimated, revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and the property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

When it is probable that total costs will exceed revenue, the foreseeable loss is immediately recognised in the income statement irrespective whether development work has commenced, or of the stage of completion of development activity, or of the amounts of profits expected to arise on other unrelated development projects.

The excess of revenue recognised in the income statement over billings to purchasers of properties is recognised as accrued billings under current assets.

The excess of billings to purchasers of properties over revenue recognised in the income statement is recognised as progress billings under current liabilities.

2.12 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the rights to use an asset for an agreed period of time.

(a) Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Property, plant and equipment acquired by way of finance leases are stated at amounts equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and any impairment losses.

In calculating the present value of the minimum lease payments, the discount rate used is the interest rate implicit in the lease, if this is determinable; if not, the Group's incremental borrowing rate will be applied.

(b) Operating lease

An operating lease is a lease other than a finance lease.

Operating lease income or operating lease rental expenses are credited or charged to the income statement on a straight-line basis over the period of the lease.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

(b) Computer software and film rights

(i) *Measurement basis*

Computer software and film rights acquired by the Group are stated at cost less accumulated amortisation and impairment losses, if any.

Computer software and film rights are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(ii) *Amortisation*

Amortisation is calculated to write off the depreciable amount of computer software on a straight-line basis over its estimated useful life. The principal annual rate used is 25%.

Film rights are amortised based on the total revenue stream expected to be generated from the different titles and upon the exploitation of the rights.

The amortisation period and the amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.14 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(a) Initial recognition and measurement

A financial instrument is recognised in the financial statements when the Company or any of its subsidiaries becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

(b) Financial instrument categories and subsequent measurement

(i) *Financial assets*

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate.

A regular way of purchase or sale is a purchase or sale of a financial asset under a contract which terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. A regular way of purchase or sale of financial assets is recognised and derecognised, as applicable, using settlement date accounting.

Financial assets at fair value through profit or loss

This category includes financial assets held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition. On initial recognition, these financial assets are measured at fair value.

The subsequent measurement of financial assets in this category is at fair value with changes in fair value recognised as gains or losses in the income statement.

Loans and receivables

This category comprises debt instruments that are not quoted in an active market and cash and cash equivalents. They are included in current assets, except for those with maturities longer than 12 months after the reporting period, which are classified as non-current assets.

The subsequent measurement of financial assets in this category is at amortised cost using the effective interest method, less allowance for impairment losses.

Available-for-sale financial assets

This category comprises investments in equity and debt securities that are not held for trading or designated at fair value through profit or loss.

The subsequent measurement of financial assets in this category is at fair value unless the fair value cannot be measured reliably, in which case they are measured at cost less impairment loss.

Any gains or losses arising from changes in fair value of an investment in this category are recognised in other comprehensive income, except for impairment losses, until the investment is derecognised, at which time the cumulative gain or loss previously reported in other comprehensive income is recognised in the income statement.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (continued)

(b) Financial instrument categories and subsequent measurement (continued)

(ii) *Financial liabilities*

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities at amortised cost.

Financial liabilities at fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition. These financial liabilities are subsequently measured at their fair values with the gain or loss recognised in the income statement.

All other financial liabilities are subsequently measured at amortised cost using the original effective interest method.

(c) Derecognition of financial assets and liabilities

A financial asset or part of it is derecognised 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 together with any cumulative gain or loss that has been recognised in other comprehensive income is recognised in the income statement.

A financial liability or part of it is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

(d) Derivative financial instruments and hedging

On initial recognition, derivative financial instruments are recognised at fair value on the date on which the derivative contracts are entered into, and are subsequently remeasured to their fair value at the end of each reporting period.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Engineering contracts

When the outcome of an engineering contract can be reasonably estimated, revenue is recognised on the percentage of completion method. The stage of completion is determined by the proportion of contract costs incurred to-date relative to the estimated total contract costs.

Where the outcome of an engineering contract cannot be reasonably estimated, revenue is recognised only to the extent of contract costs incurred that are expected to be recoverable. At the same time, all contract costs incurred are recognised as an expense in the period in which they are incurred.

When it is probable that total costs will exceed total revenue, the foreseeable loss is immediately recognised in the income statement irrespective of whether contract work has commenced or not, or of the stage of completion of contract activity, or of the amounts of profits expected to arise on other unrelated contracts.

At the end of the reporting period, contracts in progress are reflected either as gross amounts due from or due to customers, where a gross amount due from customers is the surplus of (i) costs incurred plus profits recognised under the percentage of completion method over (ii) recognised foreseeable losses plus progress billings. A gross amount due to customers is the surplus of (ii) over (i).

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on either the first-in-first-out basis, the weighted average basis or a specific identification method depending on the nature of the inventories.

Net realisable value represents the estimated selling price in the ordinary course of business, less selling and distribution costs and all other estimated costs to completion.

2.17 Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the assets (or disposal group) are available for immediate sale in their present condition and the sale is highly probable subject only to terms that are usual and of customary in nature.

On initial classification as held for sale, non-current assets are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. Subsequent increase in fair value less costs to sell is recognised as a gain in the income statement to the extent of the cumulative impairment loss that had been recognised previously.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Share capital

Proceeds from ordinary shares issued are classified as equity. Cost directly attributable to the issuance of shares is accounted for as a deduction from equity.

Preference shares are classified as equity if they are non-redeemable or their redemption is at the discretion of the issuer.

Dividends to shareholders are recognised in equity in the period in which they are declared.

2.19 Income recognition

- (a) Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.
- (b) Revenue from engineering contracts and property development activity is recognised on the percentage of completion method, where the outcome of the contract can be reliably estimated.
- (c) Revenue from box office collections, screen advertising income, sale of film rights and film rental is recognised upon the exhibition of movies and content.
- (d) Revenue from services is measured at fair value of the consideration received and receivable and is recognised on an accrual basis when services are rendered.
- (e) Dividend income is recognised when the right to receive payment is established.
- (f) Interest income is recognised on a time proportion basis.
- (g) Rental income is recognised on a straight-line basis over the specific tenure of the respective leases.

2.20 Foreign currencies

(a) Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates.

The financial statements of each entity within the Group are measured using their respective functional currency.

(b) Transactions and balances in foreign currencies

Transactions in currencies other than the functional currency ("foreign currencies") are recorded in the functional currency using the exchange rate ruling at the date of the transactions.

Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Foreign currencies (continued)

(b) Transactions and balances in foreign currencies (continued)

Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in the income statement for the period.

Exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency reserve within equity until the disposal of the foreign operations, at which time they are reclassified in income statement.

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated using the exchange rates ruling at the date of the initial transaction.

Non-monetary items which are measured at fair value denominated in foreign currencies are translated at the foreign exchange rate ruling at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any corresponding exchange gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the income statement, any corresponding exchange gain or loss is recognised in the income statement.

(c) Translation of foreign operations

For consolidation purposes, all assets and liabilities of foreign operations that have a functional currency other than RM (including goodwill and fair value adjustments arising from the acquisition of the foreign operations) are translated at the exchange rates ruling at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are translated at exchange rates ruling at the date of acquisition.

Income and expense items are translated at exchange rates approximating those ruling on transaction dates.

All exchange differences arising from the translation of the financial statements of foreign operations are dealt with through the exchange translation reserve account within equity. On the disposal of a foreign operation, the cumulative exchange translation reserves relating to that foreign operation are recognised in the income statement as part of the gain or loss on disposal.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Impairment of non-financial assets

(a) Goodwill

Goodwill is reviewed annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units.

An impairment loss is recognised in the income statement when the carrying amount of the cash-generating unit, including the goodwill, exceeds the recoverable amount of the cash-generating unit. The recoverable amount of the cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and its value in use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit proportionately on the basis of the carrying amount of each asset in the cash-generating unit.

Impairment loss recognised on goodwill is not reversed in the event of an increase in recoverable amount in subsequent periods.

(b) Property, plant and equipment, investment properties, biological assets, land held for property development, other intangible assets, and investments in subsidiaries, associates and joint venture

Property, plant and equipment, investment properties, biological assets, land held for property development, other intangible assets, and investments in subsidiaries, associates and joint venture are assessed at the end of each reporting period to determine whether there is any indication of impairment.

If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the assets. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are charged to the income statement.

Any reversal of an impairment loss as a result of a subsequent increase in recoverable amount should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the asset.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Impairment of financial assets

All financial assets except for financial assets at fair value through profit or loss, are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is objective evidence of impairment.

(a) Assets carried at amortised cost

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) Available-for-sale financial assets

An impairment loss is recognised in the income statement and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in equity is reclassified from other comprehensive income to income statement as a reclassification adjustment.

An impairment loss in respect of an unquoted equity instrument that is carried at cost is recognised in the income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in the income statement for an investment in an equity instrument are not reversed through the income statement.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits

(a) Short-term employee benefits

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees.

(b) Post-employment benefits

The Company and its Malaysian subsidiaries pay monthly contributions to the Employees Provident Fund ("EPF") which is a defined contribution plan.

The legal or constructive obligation of the Company and its Malaysian subsidiaries is limited to the amount that they are required to contribute to the EPF. The contributions to the EPF are charged to the income statement in the period to which they relate.

Some of the Company's foreign subsidiaries make contributions to their respective countries' statutory pension schemes which are recognised as an expense in the income statement as incurred.

(c) Termination benefits

The Group recognises termination benefits payable as a liability and an expense when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without a realistic possibility of withdrawal.

2.24 Borrowing costs

Borrowing costs incurred on assets under development that take a substantial period of time to complete are capitalised into the carrying value of the assets. Capitalisation of borrowing costs ceases when development is completed or during extended periods when active development is interrupted.

All other borrowing costs are charged to the income statement in the period in which they are incurred. The interest component of hire purchase payments is charged to the income statement over the hire purchase period so as to give a constant periodic rate of interest on the remaining tenure of the hire purchase contract.

2.25 Taxation

The tax expense in the income statement represents the aggregate amount of current tax and deferred tax included in the determination of profit or loss for the financial year.

A deferred tax liability is recognised for taxable temporary differences while a deferred tax asset is recognised for deductible temporary differences and unutilised tax credits only to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences and tax credits can be utilised.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Taxation (continued)

No deferred tax is recognised for temporary differences arising from the initial recognition of:

- (i) goodwill; or
- (ii) an asset or liability 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 based on tax consequences that would follow from the manner in which the asset or liability is expected to be recovered or settled, and based on tax rates enacted or substantively enacted by the end of the reporting period that are expected to apply to the period when the asset is realised or when the liability is settled.

Current tax and deferred tax are charged or credited directly to other comprehensive income if the tax relates to items that are credited or charged, whether in the same or a different period, directly to other comprehensive income.

2.26 Cash and cash equivalents

Cash and cash equivalents are cash in hand, short-term and highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and exclude deposits pledged to secure banking facilities.

2.27 Segment reporting

Segment reporting in the financial statements is presented on the same basis as that used by management internally for evaluating operating segment performance and in deciding on the allocation of resources to each operating segment. Operating segments are distinguishable components of the Group that engage in business activities from which they 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 results are reviewed regularly by the chief operating decision-maker to decide on the allocation of resources to the segment and assess its performance, and for which discrete financial information is available.

Segment revenue, expenses, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and a relevant portion that can be reasonably allocated to the segment.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Notes to the Financial Statements

31 December 2017

3. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sales of agricultural produce, food-based products and other goods	3,628,209	3,464,843	-	-
Engineering contracts	112,937	168,618	-	-
Sale of development properties	6,800	9,122	-	-
Revenue from cinema operations	481,300	468,492	-	-
Rental from leasing of investment properties	33,605	36,971	31,266	34,411
Waste management and other services rendered	33,530	32,232	-	-
Dividend income	8,670	6,098	372,283	353,139
	4,305,051	4,186,376	403,549	387,550

Included in the rental from leasing of investment properties is contingent rental amounting to RM0.6 million (2016: RM0.7 million) for the Group and the Company.

4. COST OF SALES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Raw materials and consumables used	2,355,582	2,265,469	-	-
Finished goods purchased	599,121	487,457	-	-
Employee benefits expense	157,990	152,580	5,160	4,662
Depreciation and amortisation	105,234	100,028	6,092	6,519
Cost of film rights and rental	175,988	168,690	-	-
Rental of land and buildings	66,807	59,894	-	-
Others	293,427	312,172	12,622	11,610
	3,754,149	3,546,290	23,874	22,791

Notes to the Financial Statements

31 December 2017

5. FINANCE COSTS

	Group	
	2017 RM'000	2016 RM'000
<i>Interest expense on:</i>		
Banker's acceptance	2,485	3,332
Revolving credits	1,172	1,279
Bank term loans	21,682	20,580
Bank overdrafts	108	179
	25,447	25,370

6. PROFIT BEFORE TAX

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<i>Profit before tax is stated after charging:</i>				
Amortisation of other intangible assets	26,736	24,002	-	-
Auditors' remuneration				
- statutory audit	1,052	1,068	88	83
- assurance and related services	62	49	6	6
- under/(over)provision in prior year	2	(14)	-	-
Bad and doubtful debts	1,481	3,530	24	20
Depreciation				
- property, plant and equipment	119,327	116,686	434	716
- investment properties	4,325	4,877	6,066	6,451
- biological assets	222	219	-	-
Direct operating expenses				
- revenue-generating investment properties	27,468	25,359	25,810	24,955
- non-revenue generating investment properties	203	178	11	11
Directors' remuneration				
- Company's directors				
- fees	967	907	940	880
- other emoluments	5,664	5,131	3,073	2,604
- Subsidiaries' directors				
- fees	269	255	-	-
- other emoluments	15,939	14,375	-	-
Insurance premium for directors and officers	76	76	76	76

Notes to the Financial Statements

31 December 2017

6. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<i>Profit before tax is stated after charging: (continued)</i>				
Foreign exchange loss				
- realised	5,830	9,315	1	-
- unrealised	27,711	15,007	1	-
Fair value loss on derivative financial instruments	5,833	11,932	-	-
Operating leases				
- minimum lease payments for land and buildings	52,386	46,749	1,344	1,284
- minimum lease payments for equipment	132	239	-	-
- contingent rent	15,906	14,004	-	-
Property, plant and equipment written off	1,424	648	1	2
Biological assets written down	3,085	-	-	-
Inventories written down	299	6,718	-	-
<i>and crediting:</i>				
Gross dividends from subsidiaries	-	-	104,250	68,565
Gross dividends from associates	-	-	259,870	278,849
Gross dividends from other investments	8,670	6,098	8,163	5,725
Interest income	16,557	19,260	5,640	7,195
Income from short-term fund placements	25,307	21,011	20,238	17,077
Rental income	5,157	5,806	-	-
Allowance for doubtful debts written back	1,392	1,062	-	49
Bad debt recovered	26	38	-	-
Foreign exchange gain				
- realised	8,080	24,283	-	-
- unrealised	7,572	6,851	-	2
Fair value gain on derivative financial instruments	47,977	55,423	-	-
Gain on disposal of				
- property, plant and equipment	434	2,287	-	-
- non-current assets held for sale	8,011	3,891	-	-

Notes to the Financial Statements

31 December 2017

7. TAX EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysian taxation				
Current	57,831	94,914	336	1,732
Deferred	(12,579)	(2,463)	(33)	(91)
	45,252	92,451	303	1,641
Foreign taxation				
Current	4,071	9,374	-	-
Deferred	5,292	5,426	-	-
	54,615	107,251	303	1,641
Under/(Over) provision in prior year				
Malaysian taxation				
Current	(717)	(4,195)	(39)	(58)
Deferred	509	2,287	(7)	(16)
Foreign taxation				
Current	49	2,269	-	-
Deferred	-	(3,373)	-	-
	54,456	104,239	257	1,567

Notes to the Financial Statements

31 December 2017

7. TAX EXPENSE (CONTINUED)

The statutory tax rate applicable to the Company is 24% (2016: 24%). Taxation for other jurisdictions are calculated at rates prevailing in other jurisdictions.

The difference between the provision for taxation and the amount of taxation determined by applying the applicable statutory tax rate to the profit before tax excluding share of results of associates and joint venture, is analysed as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Accounting profit	236,534	375,807	384,537	369,753
Taxation at applicable tax rate	58,104	89,557	92,289	88,741
<i>Tax effect arising from:</i>				
Non-taxable income	(17,400)	(9,595)	(94,031)	(88,858)
Expenses eligible for double deduction	(9)	(401)	-	-
Non-deductible expenses	20,864	24,407	1,861	2,065
Real property gains tax	518	274	-	-
Utilisation of reinvestment allowance	(10,270)	-	-	-
Utilisation of previously unrecognised tax losses	(5,659)	(1,634)	-	(307)
Withholding tax on undistributed profits of foreign associates	3,597	3,672	-	-
Deferred tax assets not recognised	4,870	971	184	-
Overprovision in prior year	(159)	(3,012)	(46)	(74)
	54,456	104,239	257	1,567

8. BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The basic earnings per share is calculated by dividing the Group's profit for the year attributable to owners of the parent by the number of ordinary shares in issue during the year.

	Group	
	2017	2016
Profit for the year attributable to owners of the parent (RM'000)	1,205,447	1,044,993
Number of ordinary shares in issue ('000)	1,185,500	1,185,500
Basic earnings per share attributable to owners of the parent (sen)	101.7	88.2

Notes to the Financial Statements

31 December 2017

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings			Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings, office and other equipment RM'000	Capital work-in-progress RM'000	Total RM'000
	Freehold RM'000	Long leasehold RM'000	Short leasehold RM'000					
Group								
Cost/Valuation								
At 1.1.2017	186,607	260,749	615,504	904,389	80,879	160,387	113,766	2,322,281
Additions	5,312	1,934	25,812	40,973	9,373	15,832	68,848	168,084
Disposals	-	-	-	(2,604)	(4,310)	(1,073)	-	(7,987)
Exchange differences	-	-	(28,957)	(31,349)	(380)	(793)	(2,550)	(64,029)
Write-offs	-	-	(2,520)	(7,857)	(278)	(2,122)	-	(12,777)
Reclassifications	198	-	67,531	95,907	-	6,536	(170,172)	-
Transfer to assets classified as held for sale	-	-	(7,079)	(21,876)	(535)	(1,439)	(367)	(31,296)
Transfer to investment properties	(4,832)	(2,279)	-	-	-	-	(80)	(7,191)
Transfer to other intangible assets	-	-	-	-	-	-	(163)	(163)
At 31.12.2017	187,285	260,404	670,291	977,583	84,749	177,328	9,282	2,366,922
Accumulated depreciation								
At 1.1.2017	71,692	63,557	237,644	459,128	36,399	99,228	-	967,648
Charge for the year	4,450	6,374	32,914	52,590	8,479	14,520	-	119,327
Disposals	-	-	-	(2,445)	(3,015)	(975)	-	(6,435)
Exchange differences	-	-	(6,392)	(13,826)	(191)	(522)	-	(20,931)
Write-offs	-	-	(1,610)	(7,601)	(85)	(2,057)	-	(11,353)
Reclassifications	71	-	(71)	-	-	-	-	-
Transfer to assets classified as held for sale	-	-	(4,377)	(18,952)	(343)	(1,275)	-	(24,947)
Transfer to investment properties	(1,548)	(441)	-	-	-	-	-	(1,989)
At 31.12.2017	74,665	69,490	258,108	468,894	41,244	108,919	-	1,021,320

Notes to the Financial Statements

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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings			Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings, office and other equipment RM'000	Capital work-in- progress RM'000	Total RM'000
	Freehold RM'000	Long leasehold RM'000	Short leasehold RM'000					
Group								
Accumulated impairment losses								
At 1.1.2017/31.12.2017	476	-	523	-	-	430	-	1,429
Net book value at 31.12.2017	112,144	190,914	411,660	508,689	43,505	67,979	9,282	1,344,173
- cost	112,144	190,545	411,660	508,689	43,505	67,979	9,282	1,343,804
- valuation	-	369	-	-	-	-	-	369
	112,144	190,914	411,660	508,689	43,505	67,979	9,282	1,344,173
Cost/Valuation								
At 1.1.2016	185,689	286,493	572,611	889,882	79,817	150,668	62,499	2,227,659
Additions	1,049	4,058	19,071	17,727	9,516	13,404	98,307	163,132
Disposals	-	(1,624)	-	(839)	(8,110)	(200)	-	(10,773)
Disposals via disposal of subsidiaries	-	(16,724)	-	(23,612)	(257)	(1,816)	(11)	(42,420)
Exchange differences	-	-	12,111	11,937	124	254	2,972	27,398
Write-offs	-	-	(437)	(3,915)	(341)	(2,576)	-	(7,269)
Reclassifications	22	14,516	12,148	12,537	130	653	(40,006)	-
Transfer from/(to) assets classified as held for sale	-	(24,963)	-	672	-	-	-	(24,291)
Transfer to investment properties	(153)	(1,007)	-	-	-	-	(9,951)	(11,111)
Transfer to other intangible assets	-	-	-	-	-	-	(44)	(44)
At 31.12.2016	186,607	260,749	615,504	904,389	80,879	160,387	113,766	2,322,281

Notes to the Financial Statements

31 December 2017

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings			Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings, office and other equipment RM'000	Capital work-in-progress RM'000	Total RM'000
	Freehold RM'000	Long leasehold RM'000	Short leasehold RM'000					
Group								
Accumulated depreciation								
At 1.1.2016	67,510	65,453	205,688	408,747	33,542	88,619	-	869,559
Charge for the year	4,260	6,766	29,796	53,431	8,492	13,941	-	116,686
Disposals	-	(287)	-	(799)	(5,427)	(165)	-	(6,678)
Disposals via disposal of subsidiaries	-	(2,311)	-	(4,490)	(94)	(882)	-	(7,777)
Exchange differences	-	-	2,474	5,251	51	190	-	7,966
Write-offs	-	-	(314)	(3,738)	(169)	(2,400)	-	(6,621)
Reclassifications	-	-	-	71	4	(75)	-	-
Transfer from/(to) assets classified as held for sale	-	(5,883)	-	655	-	-	-	(5,228)
Transfer to investment properties	(78)	(181)	-	-	-	-	-	(259)
At 31.12.2016	71,692	63,557	237,644	459,128	36,399	99,228	-	967,648
Accumulated impairment losses								
At 1.1.2016/31.12.2016	476	-	523	-	-	430	-	1,429
Net book value at 31.12.2016	114,439	197,192	377,337	445,261	44,480	60,729	113,766	1,353,204
- cost	114,439	196,970	377,337	445,261	44,480	60,729	113,766	1,352,982
- valuation	-	222	-	-	-	-	-	222
	114,439	197,192	377,337	445,261	44,480	60,729	113,766	1,353,204

Property, plant and equipment of the Group with net book value of approximately RM194.9 million (2016: RM218.5 million) has been charged to secure the long-term bank borrowings referred to in note 34.

The property, plant and equipment stated at valuation were revalued by directors based on independent professional valuations carried out in 1982 on the open market value basis. These valuations were for special purposes. It has never been the Group's policy to carry out regular revaluations of its property, plant and equipment. The Group has availed itself of the transitional provisions when the MASB first adopted IAS 16 Property, Plant and Equipment in 1998, and accordingly, the carrying amounts of the revalued property, plant and equipment have been retained on the basis of these valuations as though they had never been revalued.

Notes to the Financial Statements

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9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Motor vehicles RM'000	Furniture, fittings, office and other equipment RM'000	Total RM'000
Cost			
At 1.1.2017	1,765	4,109	5,874
Additions	-	337	337
Disposals	(558)	(26)	(584)
Write-offs	-	(5)	(5)
At 31.12.2017	1,207	4,415	5,622
Accumulated depreciation			
At 1.1.2017	1,082	2,889	3,971
Charge for the year	81	353	434
Disposals	(358)	(25)	(383)
Write-offs	-	(4)	(4)
At 31.12.2017	805	3,213	4,018
Net book value at 31.12.2017	402	1,202	1,604
At 1.1.2016			
At 1.1.2016	1,765	3,903	5,668
Additions	-	221	221
Disposals	-	(2)	(2)
Write-offs	-	(13)	(13)
At 31.12.2016	1,765	4,109	5,874
Accumulated depreciation			
At 1.1.2016	720	2,548	3,268
Charge for the year	362	354	716
Disposals	-	(2)	(2)
Write-offs	-	(11)	(11)
At 31.12.2016	1,082	2,889	3,971
Net book value at 31.12.2016	683	1,220	1,903

Notes to the Financial Statements

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10. INVESTMENT PROPERTIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost/Valuation				
At 1 January	314,276	311,341	330,486	327,408
Additions	23,845	3,830	17,244	3,334
Disposals	-	(346)	-	(204)
Write-offs	-	(206)	-	(52)
Transfer from property, plant and equipment	7,191	11,111	-	-
Transfer to property development costs	(1,404)	-	-	-
Transfer to assets held for sale	(2,270)	(11,454)	-	-
At 31 December	341,638	314,276	347,730	330,486
Accumulated depreciation				
At 1 January	114,986	110,628	35,992	29,694
Charge for the year	4,325	4,877	6,066	6,451
Disposals	-	(265)	-	(123)
Write-offs	-	(184)	-	(30)
Transfer from property, plant and equipment	1,989	259	-	-
Transfer to assets held for sale	(1,308)	(329)	-	-
At 31 December	119,992	114,986	42,058	35,992
Accumulated impairment losses				
At 1 January	4,835	4,882	4,022	4,022
Write back	-	(47)	-	-
At 31 December	4,835	4,835	4,022	4,022
Net book value at 31 December	216,811	194,455	301,650	290,472
- cost	210,754	188,398	301,650	290,472
- valuation	6,057	6,057	-	-
	216,811	194,455	301,650	290,472
Fair value at 31 December	882,685	894,791	483,680	477,480

The investment properties stated at valuation previously included in property, plant and equipment were revalued by directors based on independent professional valuations carried out in 1981 on the open market value basis. These valuations were for special purposes. It has never been the Group's policy to carry out regular revaluations of its investment properties. The Group has availed itself of the transitional provisions when the MASB first adopted *IAS 16 Property, Plant and Equipment* in 1998, and accordingly, the carrying amounts of these revalued investment properties have been retained on the basis of these valuations as though they had never been revalued.

The fair values of these investment properties as at the financial year end were arrived at by reference to market evidence of transaction prices for similar properties and were performed by a registered independent valuer having an appropriate recognised professional qualification and recent experience in the locations and categories of the properties being valued.

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

Notes to the Financial Statements

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11. BIOLOGICAL ASSETS

	Group	
	2017 RM'000	2016 RM'000
Plantation development expenditure <i>(included under non-current assets)</i>		
Cost		
At 1 January	5,980	5,761
Additions	121	219
Write down	(419)	-
At 31 December	5,682	5,980
Accumulated depreciation		
At 1 January	2,616	2,397
Charge for the year	222	219
At 31 December	2,838	2,616
Net book value at 31 December	2,844	3,364
Biological assets <i>(included under current assets)</i>		
Livestock at cost/net realisable value	18,969	19,417

12. LAND HELD FOR PROPERTY DEVELOPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Cost				
At 1 January 2017	50,993	263	33,667	84,923
Additions	-	-	349	349
At 31 December 2017	50,993	263	34,016	85,272
At 1 January 2016	8,058	263	33,324	41,645
Additions	45,936	-	343	46,279
Transfer to property development costs	(3,001)	-	-	(3,001)
At 31 December 2016	50,993	263	33,667	84,923

Notes to the Financial Statements

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13. GOODWILL

	Group	
	2017 RM'000	2016 RM'000
Cost		
At 1 January	73,704	73,746
Impairment of goodwill	-	(42)
At 31 December	73,704	73,704

Impairment testing of goodwill

Goodwill acquired in business combinations had been allocated to the Group's cash-generating units ("CGU") identified according to business segments as follows:

	Group	
	2017 RM'000	2016 RM'000
Film exhibition and distribution	70,233	70,233
Environmental engineering and utilities	2,427	2,427
Chemicals trading and manufacturing	290	290
Other operations	754	754
	73,704	73,704

Film exhibition and distribution

The recoverable amount of the CGU of film exhibition and distribution is determined by value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. Cash flows beyond that five-year period have been extrapolated using a weighted average growth rate of 13.70% (2016: 10.00%) per annum ("p.a."), based on the long-term average growth rate of the industry. A pre-tax discount rate of 15.55% (2016: 14.92%) is applied to cash flow projections which also reflects the specific risks relating to the CGU.

Sensitivity to changes in assumptions

All the above key assumptions are based on management knowledge in the respective industries and historical information. In assessing the value in use, management is of the view that no foreseeable changes in any of the above key assumptions are expected to cause the carrying values of the respective CGUs to materially exceed their recoverable amounts.

Notes to the Financial Statements

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14. OTHER INTANGIBLE ASSETS

	Group	
	2017 RM'000	2016 RM'000
Computer software <i>(included under non-current assets)</i>		
Cost		
At 1 January	16,330	14,850
Additions	1,160	1,631
Write-offs	(24)	(279)
Transfer from property, plant and equipment	163	44
Exchange differences	(44)	84
At 31 December	17,585	16,330
Accumulated amortisation		
At 1 January	13,097	11,888
Charge for the year	1,488	1,334
Write-offs	(24)	(211)
Exchange differences	(35)	86
At 31 December	14,526	13,097
Carrying amount as at 31 December	3,059	3,233
Film rights <i>(included under current assets)</i>		
Cost		
At 1 January	106,341	90,888
Additions	24,908	25,343
Rights expired	(7,384)	(9,890)
At 31 December	123,865	106,341
Accumulated amortisation		
At 1 January	91,491	78,713
Charge for the year	25,248	22,668
Rights expired	(7,384)	(9,890)
At 31 December	109,355	91,491
Carrying amount as at 31 December	14,510	14,850

Notes to the Financial Statements

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15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares at cost	1,491,376	1,496,753
Impairment loss on unquoted shares at cost	(1,124)	(1,339)
	1,490,252	1,495,414

The subsidiaries are listed in note 53.

The Group has assessed the non-controlling interests in the subsidiaries of the Group and has determined that the non-controlling interests are not individually material to the Group's financial position, performance and cash flows.

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Shares quoted outside Malaysia at cost	8,080,369	8,080,369	8,684,629	8,684,629
Unquoted shares at cost	507,627	478,552	97,683	97,683
	8,587,996	8,558,921	8,782,312	8,782,312
Impairment loss on unquoted shares	(1,709)	(1,709)	(25)	(25)
Group's share of post-acquisition reserves	8,635,294	9,105,237	-	-
	17,221,581	17,662,449	8,782,287	8,782,287
Market value of quoted shares	10,976,304	13,059,712	10,976,304	13,059,712

The Group's share of the current year's losses and accumulated losses of associates amounting to RM412,000 and RM2,129,000 (2016: RM406,000 and RM1,717,000) respectively have not been recognised in the Group's income statement as equity accounting had ceased when the Group's share of losses of these associates exceeded the carrying amount of its investments in these associates.

Notes to the Financial Statements

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16. INVESTMENTS IN ASSOCIATES (CONTINUED)

The summarised financial information of the Group's material associate as at 31 December is as follows:

<u>Wilmar International Ltd</u>	2017	2016
	RM'000	RM'000
Non-current assets	76,699,821	81,547,661
Current assets	91,390,109	87,149,329
Non-current liabilities	(18,194,395)	(23,160,703)
Current liabilities	(79,683,654)	(74,986,587)
Net assets	70,211,881	70,549,700
Revenue	187,600,903	171,580,610
Profit for the year	5,622,115	4,580,336
Other comprehensive income/(loss)	2,768,241	(2,375,967)
Total comprehensive income	8,390,356	2,204,369

The reconciliation of the summarised financial information of the Group's material associate to the carrying amount of interest in the associate is as follows:

	2017	2016
	RM'000	RM'000
Net assets	70,211,881	70,549,700
Proportion of ownership interest held by the Group	18.5%	18.6%
Group's share of net assets	13,017,283	13,094,024
Goodwill	4,159,146	4,607,517
Other adjustments		
- Non-controlling interests' share of associate's net assets	(800,317)	(823,438)
- Others	(35,192)	(29,662)
Carrying amount of the Group's interest in the associate	16,340,920	16,848,441

Notes to the Financial Statements

31 December 2017

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group has received dividends from Wilmar International Ltd in the current financial year amounting to RM258.2 million (2016: RM277.1 million).

The summarised aggregate financial information of the Group's other individually non-material associates as at 31 December is as follows:

	2017 RM'000	2016 RM'000
Profit for the year	333,532	283,202
Other comprehensive income/(loss)	(3,302)	1,292
Total comprehensive income	330,230	284,494
Carrying amount of the Group's interests in associates	880,661	814,008

As at 31 December 2017, the fair value of investment in an associate was below its carrying amount. Accordingly, the Company had undertaken an impairment test on the carrying amount of the investment in the associate.

The recoverable amount of the investment in associate was determined by a value in use calculation, by applying a discounted cash flow model, using cash flow projections covering a ten-year period approved by management. The cash flows for that ten-year period have been estimated using a steady growth rate with zero terminal growth rate. A discount rate of 4.1% (2016: 4.2%) was applied to the cash flow projections.

As the recoverable amount was in excess of the carrying amount, no impairment was required.

Management had considered any reasonable changes to key assumptions used in determining the value in use and is of the view that the carrying amount is not expected to exceed the recoverable amount.

The associates are listed in note 54.

Notes to the Financial Statements

31 December 2017

17. INVESTMENT IN JOINT VENTURE

	Group	
	2017 RM'000	2016 RM'000
Group's share of post-acquisition reserves	61,595	65,418

The summarised financial information of the Group's share of joint venture as at 31 December is as follows:

	2017 RM'000	2016 RM'000
Profit for the year and total comprehensive income for the year	3,689	4,841

The joint venture is listed in note 55.

18. OTHER INVESTMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Classified as available-for-sale financial assets</u>				
Quoted shares	721,794	439,929	686,012	418,780
Unquoted shares	427	427	266	266
	722,221	440,356	686,278	419,046

Notes to the Financial Statements

31 December 2017

19. DEFERRED TAX ASSETS

	Group	
	2017 RM'000	2016 RM'000
At 1 January	2,771	5,644
Exchange translation differences	(47)	47
Originating/(Reversal) during the year	(560)	171
Disposal of a subsidiary	-	(3,091)
At 31 December	2,164	2,771

The Group has recognised the deferred tax assets based on the current level of operations of certain subsidiaries and the probability that sufficient taxable profit will be generated in the future against which the deferred tax assets can be utilised.

The deferred tax assets on temporary differences recognised in the financial statements are as follows:

	Group	
	2017 RM'000	2016 RM'000
Tax effects of		
- Unabsorbed tax losses	9,141	9,548
- Unabsorbed capital allowances	459	-
- Excess of capital allowances over accumulated depreciation on property, plant and equipment	(7,436)	(6,777)
	2,164	2,771

Notes to the Financial Statements

31 December 2017

19. DEFERRED TAX ASSETS (CONTINUED)

The following temporary differences and unused tax credits exist as at 31 December of which the deferred tax benefits have not been recognised in the financial statements:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unabsorbed tax losses*	70,747	55,460	9,764	9,913
Unabsorbed capital allowances*	10,489	53,781	917	-
Excess of capital allowances over accumulated depreciation on property, plant and equipment	(2,256)	(27,035)	-	-
	78,980	82,206	10,681	9,913

* Pursuant to the relevant regulations, the unrecognised tax credits at the end of the reporting period will expire as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
- With no expiry	45,645	93,233	10,681	9,913
- Less than a year	327	53	-	-
- Within 1 to 5 years	35,264	15,955	-	-
	81,236	109,241	10,681	9,913

20. AMOUNT DUE FROM/(TO) SUBSIDIARIES

Amount due from subsidiaries included under current assets

The Amount due from subsidiaries included under current assets are non-trade, interest-free, unsecured and repayable on demand.

Amount due to subsidiaries included under current liabilities

The Amount due to subsidiaries included under current liabilities are non-trade, interest-free, unsecured and repayable on demand.

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21. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
Raw materials	682,301	489,075
Work-in-progress	360	1,215
Finished goods	98,163	93,154
Completed development properties	8,877	13,295
Sundry stores and consumables	25,868	23,725
	815,569	620,464

22. PROPERTY DEVELOPMENT COSTS

	Group	
	2017 RM'000	2016 RM'000
Freehold land at cost/valuation	-	130
Development and construction costs	-	4,834
At 1 January	-	4,964
Development costs incurred during the year	3,956	5,590
Cost recognised in income statement during the year	-	(7,251)
Transfer from investment properties	1,404	-
Transfer from land held for property development	-	3,001
Transfer to inventories	-	(6,304)
At 31 December	5,360	-

Notes to the Financial Statements

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23. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS

	Group	
	2017 RM'000	2016 RM'000
Aggregate contract expenditure incurred to-date	680,784	771,735
Attributable profit recognised to-date	78,357	80,671
	759,141	852,406
Progress billings to-date	(724,760)	(824,379)
	34,381	28,027
Gross amount due from customers	34,853	29,563
Gross amount due to customers	(472)	(1,536)
	34,381	28,027
Progress billings	713,683	810,647
Retention sums	11,077	13,732
	724,760	824,379

24. TRADE RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	623,766	569,670	671	511
Allowance for doubtful debts	(8,649)	(9,587)	(4)	-
	615,117	560,083	667	511

The balances are subject to normal credit terms of the Group and Company.

Notes to the Financial Statements

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25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sundry receivables	70,817	69,980	2,260	2,102
Allowance for doubtful debts	(261)	(508)	(261)	(261)
	70,556	69,472	1,999	1,841
Interest receivables	298	612	190	567
Deposits	28,139	28,339	543	403
Prepayments	8,530	6,872	217	243
	107,523	105,295	2,949	3,054

26. AMOUNT DUE FROM/(TO) ASSOCIATES

Amount due from associates included under current assets

The amount due from associates included under current assets are unsecured and are analysed as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade balances	5,349	6,514	-	-
Non-trade balances				
- Interest bearing ranging from 0.85% to 4.43% (2016: 0.72% to 4.25%) p.a.	174,154	189,587	7,083	6,388
- non-interest bearing	4,620	70,510	1	3
	184,123	266,611	7,084	6,391
Allowance for doubtful debts	(8,731)	(8,731)	-	-
	175,392	257,880	7,084	6,391

The trade balances due from associates are subject to normal credit terms of the Group. The non-trade balances can be recalled on demand.

Amount due to associates included under current liabilities

The trade balances due to associates included under current liabilities are subject to normal credit terms of the Group.

Notes to the Financial Statements

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27. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Group	Notional value RM'000	Derivative Financial Assets RM'000	Derivative Financial Liabilities RM'000
2017			
Forward contracts	14,394	6	(110)
Futures and options contracts	40,497	11	(227)
		17	(337)
2016			
Forward contracts	24,778	69	(55)
Futures and options contracts	197,030	3,207	(5,166)
		3,276	(5,221)

28. DEPOSITS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks	240,511	305,831	84,880	132,290

The effective interest rates range from 0.13% to 4.50% (2016: 0.13% to 6.70%) p.a.. All the deposits have maturities of less than one year.

29. SHORT-TERM FUND PLACEMENTS

Short-term fund placements represent investment in highly liquid money market instruments. This investment is readily convertible to cash and has insignificant risk of changes in value.

The effective returns of the short-term fund for the year range from 3.59% to 3.70% (2016: 2.90% to 4.95%) p.a..

30. CASH AND BANK BALANCES

Cash and bank balances of the Group include an amount of RM32.4 million (2016: RM63.4 million) maintained in Housing Development Accounts. Withdrawals from the Housing Development Accounts are restricted in accordance with the Housing Development (Housing Development Account) Regulations 1991.

Funds maintained in the Housing Development Accounts earn interest at 1.25% to 2.00% (2016: 1.95% to 2.10%) p.a..

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31. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

- (a) Non-current assets held for sale

	Group	
	2017 RM'000	2016 RM'000
Leasehold land and building	962	23,759

The non-current assets held for sale include the following:

- (i) Disposal of a leasehold land and building for a consideration of RM2.0 million pursuant to a sales and purchase agreement entered into on 2 January 2018 by a subsidiary. The disposal was not completed as at 28 March 2018.
- (ii) Disposal of a leasehold land and building for a consideration of RM35.3 million pursuant to a sales and purchase agreement entered into on 4 October 2016 by a subsidiary. The disposal was completed on 27 February 2017.

- (b) Assets and liabilities of disposal group classified as held for sale

On 20 September 2017, Tego Sdn Bhd, a 79.9%-owned indirect subsidiary of the Company, has entered into an agreement to dispose of its entire equity interest in Tefel Packaging Industries Co Ltd ("Tefel") for a cash consideration of USD2.4 million (equivalent to RM10.1 million) (the "Proposed Disposal"). As at 31 December 2017, the Proposed Disposal is pending fulfilment of a condition precedent. The assets and liabilities of Tefel have been presented as assets and liabilities of disposal group classified as held for sale as follows:

Assets of disposal group classified as held for sale:

	Group 2017 RM'000
Property, plant and equipment	6,349
Inventories	1,887
Other receivables, deposits and prepayment	965
	9,201

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31. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(b) Assets and liabilities of disposal group classified as held for sale (continued)

Liabilities of disposal group classified as held for sale:

	Group 2017 RM'000
Trade payable	5
Other payables and accruals	978
Current tax liability	502
	1,485

32. SHARE CAPITAL

	2017		2016	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Issued and fully paid ordinary shares:				
At 1 January	1,185,500	1,185,500	1,185,500	1,185,500
Transfer from share premium pursuant to the Companies Act 2016	-	6,715	-	-
At 31 December	1,185,500	1,192,215	1,185,500	1,185,500

Notes to the Financial Statements

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33. OTHER NON-DISTRIBUTABLE RESERVES

	Group	
	2017 RM'000	2016 RM'000
Revaluation reserve	38,966	39,511
Exchange translation reserve	1,753,866	3,099,410
Fair value reserve	292,119	9,442
Hedge reserve	13,528	(51,000)
Capital reserve	180,305	128,920
	2,278,784	3,226,283

Details of the capital reserve are as follows:

	Group	
	2017 RM'000	2016 RM'000
Share of capital reserves of associates	156,654	105,269
Others	23,651	23,651
	180,305	128,920

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34. LONG-TERM BANK BORROWINGS

	Group	
	2017 RM'000	2016 RM'000
<i>Secured:</i>		
United States Dollar-denominated loans bearing interest at 2.25% p.a. above LIBOR (effective interest rate: 3.25% to 3.94% (2016: 2.87% to 3.25%) p.a.) repayable in instalments until 2018	22,838	52,311
United States Dollar-denominated loans bearing interest at 2.0% p.a. above LIBOR (effective interest rate: 3.01% to 3.35% (2016: 2.62% to 2.86%) p.a.) repayable in instalments until 2020	40,946	61,866
Vietnamese Dong-denominated loans bearing interest at 1.4% p.a. above cost of funds (effective interest rate: 6.65% to 6.90% (2016: 6.65%) p.a.) repayable in instalments until 2021	11,721	2,164
	75,505	116,341
Repayable within the next 12 months included under short-term borrowings (<i>note 38</i>)	(39,531)	(43,423)
Repayable after 12 months	35,974	72,918
The bank term loans are repayable as follows:		
- within one year (<i>included under current liabilities</i>)	39,531	43,423
- more than one year but less than five years	35,974	72,918
	75,505	116,341

The long-term bank borrowings are secured by property, plant and equipment of the Group (*note 9*) at a carrying value of approximately RM194.9 million (2016: RM218.5 million) and a corporate guarantee by a subsidiary.

The changes in long-term bank borrowings are as follows:

	Group RM'000
Balance as at 1 January 2017	72,918
Cash:	
Net repayment of debts	(32,093)
Non-cash:	
Exchange differences	(4,851)
Balance as at 31 December 2017	35,974

Notes to the Financial Statements

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35. DEFERRED TAX LIABILITIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	99,266	97,225	595	705
Originating/(Reversal) during the year	(7,338)	2,041	(40)	(110)
Exchange translation differences	(71)	-	-	-
At 31 December	91,857	99,266	555	595

The deferred tax liabilities on temporary differences recognised in the financial statements are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Tax effects of				
- Excess of capital allowances over accumulated depreciation on property, plant and equipment	82,307	72,401	555	595
- Surplus on revaluation of land and buildings	8,572	8,910	-	-
- Unabsorbed capital allowances	(8,768)	(253)	-	-
- Unabsorbed tax losses	(1,987)	(205)	-	-
- Withholding tax on undistributed profits of foreign associates	20,952	17,217	-	-
- Other temporary differences	(9,219)	1,196	-	-
	91,857	99,266	555	595

36. TRADE PAYABLES

The normal credit terms extended by suppliers of the subsidiaries range from 30 to 120 days. Retention sums for construction contracts are payable upon the expiry of the defects liability period of the respective construction contracts. The defects liability periods of construction contracts are between 12 and 30 months.

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37. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unpaid property, plant and equipment	39,775	21,655	-	-
Interest accrued	828	503	-	-
Other payables	55,822	35,708	596	658
Accruals	82,109	78,994	5,704	4,215
Tenants and other deposits	14,007	11,005	8,834	8,129
	192,541	147,865	15,134	13,002

The changes in interest accrued are as follows:

	Group RM'000
Balance as at 1 January 2017	503
Cash:	
Interest paid	(25,122)
Non-cash:	
Finance cost	25,447
Balance as at 31 December 2017	828

Notes to the Financial Statements

31 December 2017

38. SHORT-TERM BORROWINGS

	Group	
	2017 RM'000	2016 RM'000
<i>Unsecured:</i>		
Banker's acceptance	149,200	20,000
Revolving credits	31,008	84,072
Short-term bank loans	524,530	306,533
	704,738	410,605
<i>Secured:</i>		
Current portion of long-term bank loans (note 34)	39,531	43,423
	744,269	454,028

The borrowings bear interest at commercial rates which vary according to inter-bank offer or base lending rates, depending on the nature and purpose of the borrowings.

The effective interest rates for the short-term borrowings are as follows:

	Group	
	2017 % p.a.	2016 % p.a.
Banker's acceptance	3.32 - 3.50	3.25
Revolving credits	2.61 - 4.56	1.88 - 5.28
Short-term bank loans	1.77 - 9.25	1.30 - 9.50

The changes in short-term borrowings are as follows:

	Group RM'000
Balance as at 1 January 2017	454,028
Cash:	
Net drawdown of debts	332,386
Non-cash:	
Exchange differences	(42,145)
Balance as at 31 December 2017	744,269

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39. BANK OVERDRAFTS

	Group	
	2017 RM'000	2016 RM'000
Unsecured bank overdrafts	480	1,058

The bank overdrafts bear interest at commercial rates which vary according to the banks' base lending rates. The effective interest rates applicable are between 3.76% and 7.75% (2016: between 6.60% and 7.95%) p.a..

40. CHANGES IN EQUITY INTEREST IN AN ASSOCIATE

The effect of changes in equity interest in an associate arose mainly from transfer of treasury shares under a share option scheme as well as share buy back scheme of the associate.

41. TRANSFER OF RESERVES

Transfer of reserves is mainly derived from the Group's share of associates' reserves in respect of transfers made pursuant to the laws of certain countries in which a certain amount from the net profit must be allocated to a reserve fund.

42. DIVIDENDS

	Group/Company	
	2017 RM'000	2016 RM'000
<i>In respect of the financial year ended 31 December 2015</i>		
Final dividend of 17 sen per share	-	201,535
<i>In respect of the financial year ended 31 December 2016</i>		
Interim dividend of 8 sen per share	-	94,840
Final dividend of 17 sen per share	201,535	-
	201,535	94,840
<i>In respect of the financial year ended 31 December 2017</i>		
Interim dividend of 8 sen per share	94,840	-
	296,375	296,375

Subsequent to the financial year end, the Directors recommended the payment of a final dividend of 22 sen per share amounting to RM260.8 million subject to shareholders' approval at the forthcoming Annual General Meeting.

Notes to the Financial Statements

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43. DISPOSAL OF SHARES IN SUBSIDIARIES

There was no subsidiary disposed of during the year.

The subsidiaries disposed of in 2016 were AWS Sales & Services Sdn Bhd and FFM Further Processing Sdn Bhd.

An analysis of the disposals are as follows:

	Group
	2016
	RM'000
Non-current assets	37,740
Current assets	9,943
Non-current liabilities	(7)
Current liabilities	(4,895)
Net assets disposed of	42,781
Less: Non-controlling interest's portion of net assets disposed of	(463)
Transfer to investment in associate	(27,791)
Net loss on disposal of subsidiaries	(116)
Total consideration from disposals	14,411
Less: Cash and cash equivalents disposed of	(2,535)
Net cash inflow during the year	11,876

Notes to the Financial Statements

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44. RELATED PARTY DISCLOSURES

- (a) Other than those disclosed elsewhere in the financial statements, the significant related party transactions during the financial year are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<i>Transactions with subsidiaries</i>				
Rental income	-	-	1,598	1,634
<i>Transactions with associates</i>				
Interest income	3,530	2,548	295	283
Purchase of goods	34,077	5,272	-	-
Sales of goods	1,104	-	-	-
Sale of property, plant and equipment	35,245	-	-	-
Film rental income	2,634	5,128	-	-
<i>Transactions with a subsidiary of the ultimate holding company</i>				
Sales of goods	13,920	6,136	-	-
<i>Transactions with subsidiaries of associates</i>				
Purchase of goods	226,654	174,625	-	-
Sales of goods	73,254	62,424	-	-
Rental income	3,577	3,500	-	-
Security and other services expense	14,594	3,463	-	-
Charter hire of vessels	85,312	56,403	-	-
Supervision fees income	1,884	2,535	-	-
Marketing fees income	2,680	2,248	-	-
Project management fees income	224	3,949	-	-

Significant outstanding trade balances with related parties were as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amount owing by associates	17,670	6,514	-	-
Amount owing to associates	19,108	2,950	-	-

All outstanding balances with related parties are expected to be settled within the normal credit period. None of the balances are secured.

Notes to the Financial Statements

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44. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Key management personnel compensation

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<i>Directors</i>				
Short-term employee benefits	6,168	5,652	3,651	3,198
Post-employment benefits				
- EPF	561	493	413	349
Sub-total	6,729	6,145	4,064	3,547
<i>Other key management personnel</i>				
Short-term employee benefits	25,012	22,978	2,374	2,687
Post-employment benefits				
- EPF	2,136	1,996	374	423
Sub-total	27,148	24,974	2,748	3,110
Total compensation	33,877	31,119	6,812	6,657

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45. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Employee benefits expense	341,254	315,892	22,433	19,067
Post-employment benefits	31,307	28,789	2,668	2,263

46. CAPITAL COMMITMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<i>Authorised capital commitments</i>				
Property, plant and equipment, biological assets and investment properties				
- contracted	39,410	49,883	8,306	20,921
- not contracted	431,249	278,036	2,139	2,484
	470,659	327,919	10,445	23,405
Other capital commitments				
- contracted	148,083	72,870	-	-
Total capital commitments	618,742	400,789	10,445	23,405

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47. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases premises from various parties under operating leases. These leases comprise non-cancellable leases and typically run for periods ranging from one to five years, with option to renew the leases after the expiry dates. There are no restrictions placed on the Group by entering into these leases. Some of these leases include contingent rental arrangements computed based on sales achievement if higher than fixed base rents.

The future aggregate minimum lease payments payable under the non-cancellable operating leases contracted for as at the end of the reporting period but not recognised as liabilities are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
- within one year	45,222	34,770	151	151
- more than one year but less than five years	62,693	14,305	-	-
- over five years	426	761	-	-
	108,341	49,836	151	151

The Group as lessor

The Group leases out its investment properties under cancellable and non-cancellable operating leases. These leases typically run for a period of one to three years with option to renew the leases after the expiry date. Some of these leases include contingent rental arrangements computed based on sales achievement if higher than fixed base rents.

The future aggregate minimum lease payments receivable under the non-cancellable operating leases contracted for as at the end of the reporting period but not recognised as assets are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
- within one year	25,316	24,392	24,221	22,578
- more than one year but less than five years	21,876	21,259	19,898	19,848
	47,192	45,651	44,119	42,426

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48. SEGMENTAL REPORTING

The Group's operating and reportable segments (excluding associates and joint venture) are business units engaged in providing different products and services and operating in different geographical locations.

There was no transaction with any single external customer which amounted to 10% or more of the Group's revenues for the current financial year (2016: none).

(a) By business segment

The Group's operations comprise the following reportable segments:

- | | |
|--|--|
| (i) Grains and agribusiness | - Flour milling and manufacturing of animal feed, wheat and maize trading, production of day-old-chicks, eggs and other related downstream activities, and oil palm plantations |
| (ii) Consumer products | - Marketing and distribution of edible oils and consumer products, production and distribution of frozen food and bakery products, and manufacturing of toilet requisites and household products |
| (iii) Film exhibition and distribution | - Exhibition and distribution of movies and content |
| (iv) Environmental engineering and utilities | - Construction works specialising in the water and environmental industries and provision of waste management services |
| (v) Property | - Letting of commercial properties and development of residential and commercial properties |
| (vi) Investments in equities | - Investments in quoted and unquoted shares |
| (vii) Other operations | - Chemical trading and manufacturing, investment holding, packaging, and others |

Notes to the Financial Statements

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48. SEGMENTAL REPORTING (CONTINUED)

2017	Grains & agribusiness RM'000	Consumer products RM'000	Film exhibition & distribution RM'000
REVENUE			
External sales	2,855,789	683,227	481,301
Inter-segment sales	158,084	2,121	-
Total revenue	3,013,873	685,348	481,301
RESULTS			
Segment results	135,887	30,225	54,698
Share of associates' profits	67,310	(2,714)	8,973
Share of joint venture's profit	-	-	-
Interest income			
Income from short-term fund placements			
Finance costs			
Unallocated corporate expense			
Profit before tax			
Tax expense			
Profit for the year			
OTHER INFORMATION			
Segment assets	2,448,180	446,707	349,189
Investments in associates	435,569	27,405	170,050
Investment in joint venture	-	-	-
Bank deposits and short-term fund placements			
Tax assets			
Unallocated corporate assets			
Consolidated total assets			
Segment liabilities	131,298	60,764	131,081
Borrowings			
Tax liabilities			
Unallocated corporate liabilities			
Consolidated total liabilities			
Capital expenditure	88,131	13,637	65,394
Unallocated corporate capital expenditure			
Amortisation and depreciation	60,708	14,257	65,279
Unallocated corporate amortisation and depreciation			
Non-cash items other than amortisation and depreciation	31,796	(7,423)	(5,241)

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Environmental engineering & utilities RM'000	Property RM'000	Investments in equities RM'000	Other operations RM'000	Elimination RM'000	Total RM'000
130,076	46,054	8,670	99,934	-	4,305,051
11	2,001	-	30,690	(192,907)	-
130,087	48,055	8,670	130,624	(192,907)	4,305,051
6,369	4,644	8,670	763	-	241,256
6,310	6,188	-	966,857	-	1,052,924
3,689	-	-	-	-	3,689
					16,557
					25,307
					(25,447)
					(21,139)
					1,293,147
					(54,456)
					1,238,691
104,747	346,727	722,221	94,393	(260)	4,511,904
50,272	191,763	-	16,346,522	-	17,221,581
61,595	-	-	-	-	61,595
					1,058,008
					20,250
					14,788
					22,888,126
56,696	34,309	-	18,073	(260)	431,961
					780,723
					98,466
					2,760
					1,313,910
1,289	20,194	-	4,257	-	192,902
					308
					193,210
1,665	4,528	-	3,766	-	150,203
					407
					150,610
69	68	-	1,539	-	20,808

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48. SEGMENTAL REPORTING (CONTINUED)

	Grains & agribusiness RM'000	Consumer products RM'000	Film exhibition & distribution RM'000
2016			
REVENUE			
External sales	2,748,016	624,000	468,492
Inter-segment sales	116,361	1,769	-
Total revenue	2,864,377	625,769	468,492
RESULTS			
Segment results	267,209	22,009	59,055
Share of associates' profits	52,215	(871)	10,507
Share of joint venture's profit	-	-	-
Interest income			
Income from short-term fund placements			
Finance costs			
Unallocated corporate expense			
Profit before tax			
Tax expense			
Profit for the year			
OTHER INFORMATION			
Segment assets	2,180,412	460,043	328,861
Investments in associates	360,330	34,677	177,283
Investment in joint venture	-	-	-
Bank deposits and short-term fund placements			
Tax assets			
Unallocated corporate assets			
Consolidated total assets			
Segment liabilities	129,220	57,677	108,275
Borrowings			
Tax liabilities			
Unallocated corporate liabilities			
Consolidated total liabilities			
Capital expenditure	111,974	11,413	38,249
Unallocated corporate capital expenditure			
Amortisation and depreciation	57,636	15,504	59,434
Unallocated corporate amortisation and depreciation			
Non-cash items other than amortisation and depreciation	16,336	(2,373)	3,596
Write back of impaired investment property	-	-	-
Impairment of goodwill	-	-	-

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Environmental engineering & utilities RM'000	Property RM'000	Investments in equities RM'000	Other operations RM'000	Elimination RM'000	Total RM'000
186,350	52,919	6,098	100,501	-	4,186,376
11	2,674	-	34,542	(155,357)	-
186,361	55,593	6,098	135,043	(155,357)	4,186,376
6,151	18,013	6,105	803	-	379,345
7,806	11,919	-	748,886	-	830,462
4,841	-	-	-	-	4,841
					19,260
					21,011
					(25,370)
					(18,439)
					1,211,110
					(104,239)
					1,106,871
85,829	365,755	440,357	120,195	(251)	3,981,201
50,746	185,501	-	16,853,912	-	17,662,449
65,418	-	-	-	-	65,418
					972,790
					8,756
					12,096
					22,702,710
40,128	25,638	-	19,613	(251)	380,300
					528,004
					124,026
					2,647
					1,034,977
849	3,869	-	2,242	-	168,596
					216
					168,812
1,743	4,526	-	6,295	-	145,138
					646
					145,784
868	1,372	(7)	2,253	-	22,045
-	(47)	-	-	-	(47)
42	-	-	-	-	42
					22,040

Notes to the Financial Statements

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48. SEGMENTAL REPORTING (CONTINUED)

(b) By geographical segment

The Group operates mainly in Asia. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Non-current assets are disclosed based on the geographical locations of the assets, and does not include investments in associates and joint venture, other investments and deferred tax assets.

	Revenue		Carrying amount of non-current assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	3,196,160	3,134,743	1,371,938	1,303,545
Indonesia	575,861	624,574	193,051	232,559
Singapore	48,189	44,610	589	314
Other ASEAN countries	439,899	359,432	160,285	176,465
East Asian countries	16,343	15,558	-	-
Other Asian countries	2,871	2,665	-	-
European countries	1,814	1,137	-	-
America and Asia Pacific countries and others	23,914	3,657	-	-
	4,305,051	4,186,376	1,725,863	1,712,883

49. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

	Loans and receivables RM'000	Available-for-sale RM'000	At fair value through profit or loss RM'000	Total RM'000
Financial assets				
Group				
2017				
Other investments	-	722,221	-	722,221
Receivables	858,548	-	-	858,548
Derivative financial assets	-	-	17	17
Deposits, cash and bank balances	521,646	-	-	521,646
Short-term fund placements	-	-	817,497	817,497
Total financial assets	1,380,194	722,221	817,514	2,919,929

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49. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial instruments (continued)

Financial assets	Loans and receivables RM'000	Available- for-sale RM'000	At fair value through profit or loss RM'000	Total RM'000
Group				
2016				
Other investments	-	440,356	-	440,356
Receivables	889,057	-	-	889,057
Derivative financial assets	-	-	3,276	3,276
Deposits, cash and bank balances	511,302	-	-	511,302
Short-term fund placements	-	-	666,959	666,959
Total financial assets	1,400,359	440,356	670,235	2,510,950
Company				
2017				
Other investments	-	686,278	-	686,278
Receivables	23,018	-	-	23,018
Deposits, cash and bank balances	87,827	-	-	87,827
Short-term fund placements	-	-	637,879	637,879
Total financial assets	110,845	686,278	637,879	1,435,002
2016				
Other investments	-	419,046	-	419,046
Receivables	14,142	-	-	14,142
Deposits, cash and bank balances	136,403	-	-	136,403
Short-term fund placements	-	-	519,657	519,657
Total financial assets	150,545	419,046	519,657	1,089,248
Financial liabilities				
		At amortised cost RM'000	At fair value through profit or loss RM'000	Total RM'000
Group				
2017				
Payables		418,052	-	418,052
Borrowings		780,723	-	780,723
Derivative financial liabilities		-	337	337
Total financial liabilities		1,198,775	337	1,199,112

Notes to the Financial Statements

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49. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial instruments (continued)

Financial liabilities	At amortised cost RM'000	At fair value through profit or loss RM'000	Total RM'000
Group			
2016			
Payables	363,313	-	363,313
Borrowings	528,004	-	528,004
Derivative financial liabilities	-	5,221	5,221
Total financial liabilities	891,317	5,221	896,538
Company			
2017			
Payables	15,791	-	15,791
Total financial liabilities	15,791	-	15,791
2016			
Payables	18,613	-	18,613
Total financial liabilities	18,613	-	18,613

(b) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Group's financial instruments are carried at fair value by level of fair value hierarchy in which the different levels have been defined as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Unobservable inputs for the asset or liability.

The following summarises the methods used in determining the fair value of financial instruments:

Other investments

Fair value of other investments in quoted shares has been determined by reference to their quoted closing bid price at the end of the reporting period.

Notes to the Financial Statements

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49. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments (continued)

Derivatives

Fair value of forward foreign currency contracts has been determined by reference to current forward exchange rates for contracts with similar maturity profiles.

Fair value of commodities futures and options has been determined by reference to current quoted market prices for contracts with similar maturity profiles.

Short-term fund

Fair value of the short-term fund has been determined by reference to the net assets value of the fund at the end of the reporting period as quoted by the fund manager.

Other non-derivative financial instruments

Fair value of other non-derivatives is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Financial assets and financial liabilities that are measured at fair value on a recurring basis:

Financial assets Group	Level 1 RM'000	Level 2 RM'000	Total RM'000
2017			
Other investments	721,794	-	721,794
Short-term fund placements	-	817,497	817,497
Derivative financial assets	-	17	17
	721,794	817,514	1,539,308
2016			
Other investments	439,929	-	439,929
Short-term fund placements	-	666,959	666,959
Derivative financial assets	-	3,276	3,276
	439,929	670,235	1,110,164
Company			
2017			
Other investments	686,012	-	686,012
Short-term fund placements	-	637,879	637,879
	686,012	637,879	1,323,891
2016			
Other investments	418,780	-	418,780
Short-term fund placements	-	519,657	519,657
	418,780	519,657	938,437

Notes to the Financial Statements

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49. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments (continued)

The fair values of the Group's derivative financial liabilities are categorised as Level 2 in the fair value hierarchy.

There were no transfers between Level 1 and Level 2 throughout the year.

The carrying amounts of the financial instruments of the Group and of the Company, which are not measured at fair value on a recurring basis at the end of the reporting period approximated or were at their fair value, due to their short-term or interest-bearing nature.

It was not practical to estimate the fair value of the Group's and the Company's investments in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities are exposed to a variety of financial risks. The Group's overall financial risk management objective is to minimise potential adverse effects on the financial performance of the Group.

Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to financial risk management policies.

The Group enters into derivative instruments, principally forward, futures and options contracts to hedge its exposure to financial risks. The Group does not trade in derivative instruments.

There have been no significant changes in the Group's exposure to financial risks from the previous year. Also, there have been no changes to the Group's risk management objectives, policies and processes since the previous financial year end.

The Group's management review and agree on policies for managing each of the financial risks and they are summarised as follows:

(a) Foreign currency exchange risk

The Group is exposed to currency risk as a result of foreign currency transactions entered into in currencies other than its functional currencies. The Group enters into forward foreign currency contracts to limit its exposure to foreign currency receivables and payables, and on cash flows from anticipated transactions denominated in foreign currencies.

A sensitivity analysis has been performed on changes in exchange rate of foreign currencies against RM for outstanding foreign currency denominated monetary items. Management has considered the recent volatility in exchange rates and has concluded that a 5% movement in exchange rates is a reasonably possible assumption. If the following foreign currencies appreciate against RM with all other variables held constant, the Group's profit before tax would increase/(decrease) as follows:

	Group	
	2017 RM'000	2016 RM'000
United States Dollar ("USD")	(14,527)	(7,965)
Chinese Renminbi	11,203	11,389

Notes to the Financial Statements

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign currency exchange risk (continued)

As other foreign currency denominated monetary items as at 31 December 2017 and 31 December 2016 are not material, the sensitivity analysis has not been presented.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. If the USD were to strengthen by 5% against RM with all other variables held constant, the Group's equity would increase by RM600.9 million (2016: RM626.6 million).

(b) Interest rate risk

The Group is exposed to interest rate risk which is the risk that a financial instrument's fair value of future cash flows will fluctuate as a result of changes in market interest rates.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Exposure to changes in interest rate risk relates primarily to the Group's bank borrowings, short-term fund placements and deposits placed with licensed banks and financial institutions.

(c) Price risk

The Group is exposed to price risk arising mainly from fluctuations in the prices of commodities which are key raw materials within the grains and agribusiness segment. The Group manages this risk by using commodity futures and options to hedge its exposure.

The Group is also exposed to price risk arising from changes in value caused by movements in market price of its investments in quoted shares. The risk of loss is minimised via thorough analysis before investing and continuous monitoring of the performance of the investments. The Group optimises returns by disposing of investments only after thorough analysis.

(d) Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group has a gain position.

The Group's management has credit policies in place to ensure that transactions are conducted with creditworthy counterparties.

The Group's credit risk is primarily attributable to trade receivables arising from the sale of goods or services and unsecured loans to associates.

Exposure to credit risk arising from sales made on deferred credit terms is managed through the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. If necessary, the Group may obtain collaterals from counterparties as a means of mitigating losses in the event of default.

Exposure to credit risk arising from unsecured loans to associates is managed through credit evaluation and ongoing monitoring of credit quality of the associates.

Notes to the Financial Statements

31 December 2017

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

Apart from a customer of a subsidiary of the Group, the Group does not have significant credit risk exposure to any single debtor or any group of debtors. The amount due from the said customer amounted to RM51.8 million (2016: RM41.7 million) as at the end of the reporting period. The credit risk associated with trade receivables from this customer is mitigated by immoveable property charged and guarantee pledged in favour of the subsidiary. The sum of market value of the immoveable property charged and amount guaranteed by the customer is higher than the outstanding amount due from the customer at the end of the reporting period.

The Group seeks to invest its surplus cash prudently by depositing it with licensed banks and financial institutions.

The ageing analysis of receivables which are trade in nature is as follows:

	Group		Company	
	Gross RM'000	Impairment RM'000	Gross RM'000	Impairment RM'000
2017				
Not past due	453,984	-	-	-
Less than 30 days past due	115,218	-	306	-
Between 30 and 90 days past due	38,868	(683)	147	-
More than 90 days past due	21,045	(7,966)	218	(4)
	629,115	(8,649)	671	(4)
<u>Included under receivables</u>				
Trade receivables (note 24)	623,766	(8,649)	671	(4)
Amount due from associates (note 26)	5,349	-	-	-
	629,115	(8,649)	671	(4)
2016				
Not past due	431,000	-	-	-
Less than 30 days past due	87,602	(22)	283	-
Between 30 and 90 days past due	33,589	(22)	154	-
More than 90 days past due	23,993	(9,543)	74	-
	576,184	(9,587)	511	-
<u>Included under receivables</u>				
Trade receivables (note 24)	569,670	(9,587)	511	-
Amount due from associates (note 26)	6,514	-	-	-
	576,184	(9,587)	511	-

Notes to the Financial Statements

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

Movements in the allowance for doubtful debts of trade receivables are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	9,587	13,000	-	49
Doubtful debts recognised	984	1,576	4	-
Doubtful debts written off	(725)	(3,925)	-	-
Doubtful debts written back	(1,132)	(1,062)	-	(49)
Exchange translation differences	(65)	(2)	-	-
At 31 December	8,649	9,587	4	-

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group seeks to ensure all business units maintain optimum levels of liquidity at all times, sufficient for their operating, investing and financing activities.

Therefore, the policy seeks to ensure that each business unit, through efficient working capital management (i.e. inventory, accounts receivable and accounts payable management), must be able to convert its current assets into cash to meet all demands for payment as and when they fall due.

Owing to the nature of its businesses, the Group also seeks to maintain sufficient credit lines available to meet its liquidity requirements while ensuring effective working capital management within the Group.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows.

Group	Less than 1 year RM'000	1 to 5 years RM'000	Total RM'000
2017			
Payables	418,052	-	418,052
Borrowings	752,447	37,484	789,931
Derivative financial liabilities	337	-	337
	1,170,836	37,484	1,208,320
2016			
Payables	363,313	-	363,313
Borrowings	466,129	75,194	541,323
Derivative financial liabilities	5,221	-	5,221
	834,663	75,194	909,857

Notes to the Financial Statements

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Liquidity risk (continued)

Company	Less than 1 year RM'000	1 to 5 years RM'000	Total RM'000
2017			
Payables	15,791	-	15,791
	15,791	-	15,791
2016			
Payables	18,613	-	18,613
	18,613	-	18,613

51. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that it maintains a strong capital base in order to support its existing business operations and enable future development of the businesses as well as maximise shareholders' value.

The capital structure of the Group consists of equity attributable to the owners of the parent (i.e. share capital, reserves) and total borrowings.

Management reviews and manages the capital structure regularly and makes adjustments to address changes in the economic environment and risk characteristics inherent in the Group's business operations. These initiatives may include adjustments to the amount of dividends distributed to shareholders. No changes were made in the objectives, policies and processes during the current financial year.

Total borrowings to capital ratio was as follows:

	Group	
	2017 RM'000	2016 RM'000
Share capital	1,192,215	1,185,500
Reserves	19,705,825	19,787,090
Total capital	20,898,040	20,972,590
Short-term borrowings	744,749	455,086
Long-term borrowings	35,974	72,918
Total borrowings	780,723	528,004
Total borrowings to capital ratio (times)	0.04	0.03

Notes to the Financial Statements

31 December 2017

52. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Directors on 28 March 2018.

53. SUBSIDIARIES

The subsidiaries are as follows:

Companies	Group's equity interest		Place of incorporation	Principal activities
	2017 %	2016 %		
FFM Berhad	80.0	80.0	Malaysia	Investment holding, grains trading, flour milling, and feed milling
Johor Bahru Flour Mill Sdn Bhd	100.0	100.0	Malaysia	Flour milling, manufacturing of animal feed and provision of management services
* FFM (Sabah) Sdn Bhd	100.0	100.0	Malaysia	Manufacturing and trading of animal feed
Lamlewa Feedmill Sdn Bhd	100.0	100.0	Malaysia	In members' voluntary winding up
* FFM Feedmills (Sarawak) Sdn Bhd	100.0	100.0	Malaysia	Manufacturing and trading of animal feed and its by-products
Mantap Aman Sdn Bhd	100.0	100.0	Malaysia	Investment holding
* PT Pundi Kencana	51.0	51.0	Indonesia	Flour milling
FFM Marketing Sdn Bhd	100.0	100.0	Malaysia	Distribution and marketing of edible oils and consumer products
* FFM Flour Mills (Sabah) Sdn Bhd	100.0	100.0	Malaysia	Provision of management services
Taloh Sdn Bhd	100.0	100.0	Malaysia	Investment holding
Waikari Sdn Bhd	100.0	100.0	Malaysia	Investment holding
* Buxton Ltd	100.0	100.0	Samoa	Investment holding
Friendship Trading Sdn Bhd	100.0	100.0	Malaysia	Provision of transportation management services
* Glowland Ltd	100.0	100.0	Samoa	Investment holding
JBFM Flour Mill Sdn Bhd	100.0	100.0	Malaysia	Provision of management services
FFM Farms Sdn Bhd	100.0	100.0	Malaysia	Poultry farming and breeding, production of organic fertilisers and owner of oil palm plantation
FFM Pulau Indah Sdn Bhd	100.0	100.0	Malaysia	Provision of management services
* FFM Grains & Mills Sdn Bhd	100.0	100.0	Malaysia	Flour milling and manufacturing of animal feed
FFM SMI Sdn Bhd	100.0	100.0	Malaysia	Investment holding
* Vietnam Flour Mills Ltd	100.0	100.0	Socialist Republic of Vietnam	Flour milling
* VFM-Wilmar Flour Mills Company Ltd	51.0	51.0	Socialist Republic of Vietnam	Wheat flour milling and the sale of flour, flour based products and by-products
Tego Sdn Bhd	79.9	79.9	Malaysia	Investment holding
Tego Multifil Sdn Bhd	100.0	100.0	Malaysia	Dormant

Notes to the Financial Statements

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53. SUBSIDIARIES (CONTINUED)

Companies	Group's equity interest		Place of incorporation	Principal activities
	2017 %	2016 %		
* Tefel Packaging Industries Co Ltd	100.0	100.0	Union of Myanmar	Manufacturing and trading of polyethylene and polypropylene woven bags and fabrics
* Keen Trade Ltd	100.0	100.0	British Virgin Islands	Dormant
The Italian Baker Sdn Bhd	100.0	100.0	Malaysia	Manufacturing and distribution of bakery products and provision of management services
PPB Hartabina Sdn Bhd	100.0	100.0	Malaysia	Property development
South Island Mining Company Sdn Bhd	100.0	100.0	Malaysia	Investment holding and oil palm cultivation
Seletar Sdn Bhd	100.0	100.0	Malaysia	Oil palm cultivation and property development
Kembang Developments Sdn Bhd	-	100.0	Malaysia	Liquidated in 2017
Minsec Properties Berhad	100.0	100.0	Malaysia	In members' voluntary winding up
PPB Leisure Holdings Sdn Bhd	100.0	100.0	Malaysia	Investment holding
Cathay Screen Cinemas Sdn Bhd	100.0	100.0	Malaysia	Property investment and investment holding
Cathay Theatres Sdn Bhd	100.0	100.0	Malaysia	Property investment
Cathay Theatres (Sarawak) Sdn Bhd	-	100.0	Malaysia	Liquidated in 2017
Golden Screen Cinemas Sdn Bhd	100.0	100.0	Malaysia	Exhibition of movies and content
Premier Cinemas Sdn Bhd	100.0	100.0	Malaysia	Dormant
Cinead Sdn Bhd	100.0	100.0	Malaysia	Advertising contractor and consultant
Glitters Café Sdn Bhd	100.0	100.0	Malaysia	Operator of cafés
Easi (M) Sdn Bhd	60.0	60.0	Malaysia	Provision of information technology solutions, consultation services and sales of related products and services
* Enterprise Advanced System Intelligence Pte Ltd	100.0	100.0	Singapore	Software development and software maintenance
Easi Ticketing Sdn Bhd	100.0	100.0	Malaysia	Provision of information technology services and sales of related products
GSC Movies Sdn Bhd	100.0	100.0	Malaysia	Distribution of movies and content
Golden Screen International Sdn Bhd	100.0	100.0	Malaysia	Dormant
Mediamore Sdn Bhd	100.0	100.0	Malaysia	Dormant

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53. SUBSIDIARIES (CONTINUED)

Companies	Group's equity interest		Place of incorporation	Principal activities
	2017 %	2016 %		
GSC Vietnam Ltd	100.0	100.0	Malaysia	Investment holding
GSC Cambodia Ltd	100.0	100.0	Malaysia	Investment holding
* Golden Screen Cinemas (Cambodia) Co., Ltd	60.0	60.0	Kingdom of Cambodia	Dormant
* LGSC Cambodia Limited	100.0	-	Malaysia	Dormant
PPB Corporate Services Sdn Bhd	100.0	100.0	Malaysia	Corporate secretarial, share registration and share nominee services
Hexarich Sdn Bhd	100.0	100.0	Malaysia	Investment holding
Affluence Trading Sdn Bhd	100.0	100.0	Malaysia	In members' voluntary winding up
PPB Property Development Sdn Bhd	100.0	100.0	Malaysia	Project and property management, and sales and marketing services
Peakland Property Management Sdn Bhd	100.0	100.0	Malaysia	Property tenancy management services
* Masuma Trading Co Ltd	100.0	100.0	Hong Kong	Investment holding
Chemquest Sdn Bhd	55.0	55.0	Malaysia	Trading in chemical products, investment holding and provision of management services
Products Manufacturing Sdn Bhd	70.0	70.0	Malaysia	Manufacture and wholesale of toilet requisites, household and chemical products
CQ Properties Sdn Bhd	100.0	100.0	Malaysia	Property investment
CWM Group Sdn Bhd	100.0	100.0	Malaysia	Construction works specialising in the water and environmental industry
Dinamik Cemerlang Sdn Bhd	100.0	100.0	Malaysia	Investment holding
Cipta Wawasan Maju Engineering Sdn Bhd	100.0	100.0	Malaysia	Builders and contractors for general engineering and construction works
SES Environmental Services Sdn Bhd	50.1	50.1	Malaysia	In members' voluntary winding up
Solar Status Sdn Bhd	-	100.0	Malaysia	Liquidated in 2017
Sitamas Environmental Systems Sdn Bhd	100.0	70.0	Malaysia	Provision of refuse disposal services
Zegwaard Bumianda Sdn Bhd	100.0	100.0	Malaysia	In members' voluntary winding up
Entrol Systems Sdn Bhd	100.0	100.0	Malaysia	Letting of properties
Tunggak Menara Services Sdn Bhd	100.0	100.0	Malaysia	Provision of garbage collection and disposal services

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53. SUBSIDIARIES (CONTINUED)

Companies	Group's equity interest		Place of incorporation	Principal activities
	2017 %	2016 %		
Malayan Adhesives & Chemicals Sdn Bhd	99.6	99.6	Malaysia	Manufacturing and marketing of adhesives, resins, additives, formaldehyde and phenoset microspheres, trading in contact glue and investment holding
* Chemquest (Overseas) Ltd	100.0	100.0	British Virgin Islands	Investment holding
* PT Healthcare Glovindo	99.9	99.9	Indonesia	Dormant
* Kerry Utilities Ltd	50.0	50.0	Samoa	Investment holding
* Beijing KVV Wastewater Technology Company Ltd.	51.0	51.0	The People's Republic of China	Investment holding
* Beijing CQ Environmental Management Consultancy Services Co Ltd	100.0	100.0	The People's Republic of China	Provision of consultancy services

* Subsidiaries not audited by Mazars PLT

54. ASSOCIATES

The associates are as follows:

Companies	Group's equity interest		Place of incorporation	Principal activities
	2017 %	2016 %		
Shaw Brothers (M) Sdn Bhd	34.0	34.0	Malaysia	Property investment, investment holding and provision of management services, owning and operating a hotel
* Vita Tenggara Fruit Industries Sdn Bhd	40.0	40.0	Malaysia	Property development and investment in real properties
Trinity Coral Sdn Bhd	25.0	25.0	Malaysia	Investment holding
Wisma Perak Sdn Bhd	50.0	50.0	Malaysia	In members' voluntary winding up
Huge Quest Realty Sdn Bhd	40.0	40.0	Malaysia	Investment holding
* Kerry Flour Mills Ltd	43.4	43.4	Thailand	Wheat flour milling and distribution
Berjaya-GSC Sdn Bhd	50.0	50.0	Malaysia	Exhibition of movies and content
* Ancom-Chemquest Terminals Sdn Bhd	25.0	25.0	Malaysia	Building, owning, operating, leasing and managing a chemical tank farm and warehouse
* Worldwide Landfills Sdn Bhd	40.0	40.0	Malaysia	Management of environmental sanitary landfill and waste treatment
* Veolia Water Kerry Water Services Ltd	49.0	49.0	Hong Kong	Investment holding
* Kerry CQ JV Environmental Engineering Ltd	50.0	50.0	British Virgin Islands	Investment holding

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54. ASSOCIATES (CONTINUED)

Companies	Group's equity interest		Place of incorporation	Principal activities
	2017 %	2016 %		
* Meizan CLV Corporation	50.0	50.0	Socialist Republic of Vietnam	Manufacturing of value added grain food processed from all kinds of grains
*#Wilmar International Ltd ("Wilmar")	18.5	18.6	Singapore	Oil palm cultivation, oilseed crushing, edible oils refining, sugar milling and refining, manufacturing of consumer products, specialty fats, oleochemicals, biodiesel and fertiliser, as well as flour and rice milling
FFM Further Processing Sdn Bhd	30.0	30.0	Malaysia	Manufacturing and processing of nuggets, sausages and burgers
* PT Tri Persada Mulia	30.0	30.0	Indonesia	Dormant
* Kart Food Industries Sdn Bhd	45.0	45.0	Malaysia	Manufacturing and trading of food products
* Kart Food Marketing Sdn Bhd	45.0	45.0	Malaysia	Dormant
* Yihai (Chongqing) Foodstuffs Co., Ltd	20.0	20.0	The People's Republic of China	Pre-operating
* Yihai Kerry (Quanzhou) Oils, Grains & Foodstuffs Industries Co., Ltd	20.0	20.0	The People's Republic of China	Flour milling
* Yihai Kerry (Anyang) Foodstuffs Industries Co., Ltd	20.0	20.0	The People's Republic of China	Flour milling
* Yihai Kerry (Beijing) Oils, Grains & Foodstuffs Industries Co., Ltd	20.0	20.0	The People's Republic of China	Flour milling
* Yihai Kerry (Shenyang) Oils, Grains & Foodstuffs Industries Co., Ltd	20.0	20.0	The People's Republic of China	Flour milling
* Dongguan Yihai Kerry Oils, Grains & Foodstuffs Industries Co., Ltd	20.0	20.0	The People's Republic of China	Flour milling
* Yihai (Zhoukou) Wheat Industries Co., Ltd	20.0	20.0	The People's Republic of China	Flour milling
* Yihai Kerry (Zhengzhou) Foodstuffs Industries Co., Ltd	20.0	20.0	The People's Republic of China	Flour milling
* Yihai Kerry (Kunshan) Foodstuffs Industries Co., Ltd	20.0	20.0	The People's Republic of China	Flour milling
Summit Bay Sdn Bhd	35.0	35.0	Malaysia	In members' voluntary winding up
Raintree Profits Sdn Bhd	31.5	31.5	Malaysia	Film production
Dream Talents Pictures Sdn Bhd	35.0	35.0	Malaysia	Film production

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54. ASSOCIATES (CONTINUED)

Companies	Group's equity interest		Place of incorporation	Principal activities
	2017 %	2016 %		
* Medan Multimedia Sdn Bhd	19.0	19.0	Malaysia	Film production
* Galaxy Studio Joint Stock Company	40.0	40.0	Socialist Republic of Vietnam	Exhibition and distribution of movies and content

* Associates not audited by Mazars PLT

The Group considers Wilmar an associate by virtue of its ability to exercise significant influence over Wilmar's financial and operating policy decisions through board representation.

The financial year ends of the associates are co-terminous with that of the Group except for the following:

Companies	Financial year end
Shaw Brothers (M) Sdn Bhd	31 March
Ancom-Chemquest Terminals Sdn Bhd	31 May

For the purpose of applying equity accounting, management financial statements of these associates are prepared to the same reporting date as the Group.

55. JOINT VENTURE

The joint venture is as follows:

	Proportion of ownership interest		Place of operation	Principal activities
	2017 %	2016 %		
* Beijing Drainage Group Co Ltd Veolia Kerry Wastewater Treatment Plant	42.0	42.0	The People's Republic of China	Own, operate and maintain a waste water treatment plant

* Joint venture not audited by Mazars PLT

Appendix to the Directors' Report

For the financial year ended 31 December 2017

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The directors of the Company's subsidiaries during the financial year up to the date of the Directors' Report are as follows:

Ahmad Ramza bin Buan Mohamed @ Ramli	Lee Oon Tiong
Alexander Adi	Leong Choy Ying
Alwi Setiawan	<i>(Demised on 18 October 2017)</i>
Aw Yong Gin Chong	Leong Yew Weng
Badrul Hisham bin Mohd Salleh	Li Hao
Ballbeer Singh a/l Sarwan Singh	Liew Tau Kuek
<i>(Appointed on 28 September 2017)</i>	Lua Chong Beng
Bings Untono	<i>(Resigned on 1 October 2017)</i>
Boo Yew Leng	Luah Hong Wan
<i>(Resigned on 1 October 2017)</i>	Lum Swee Kuan
Chang Hung Chieh	Mah Teck Keong
<i>(Appointed on 1 October 2017)</i>	Muhammad Imran Chen bin Abdullah
Chan Kok Chee	Mulyo Setiawan
Cheng Heok Peng	Nasiet Othman
Cheng Kin Ming	Natthi Choisaipant
Chew Chuen Wei	<i>(Appointed on 1 September 2017)</i>
Chew Hwei Yeow	Naziha binti Sheik Othman
Chin Kok Wooi	Ng Poh Yee
Chin Sui Tung	Ngo Dinh Anh Kiet
Datuk Haji Musa @ Ayob bin Saad	Olvy Othman
Dr Cheong Siew Hoo	Pang Boon Hong
Dr Liew Pit Kang	Pua Seck Guan
Dr Ong Choo Teik	Shen Hanzhi
Francis Quah Chuan Hoe @ Quah Chuan Hoe	Soh Kian Kiat
Gen (R) Tan Sri Dato' Mohd Ghazali bin Dato' Mohd Seth	Soo Hau Yuh
Hairuddin Halim	Syamsinar AR
Hendri Saksti	Tan Kwee Chan
Heng Beng Fatt	Tan Sri Abdul Razak bin Ramli
Ho Hiok Kheng	Tan Sri Dato Lee Lam Thye
Ho Shut Kan	Tay Szu Yun
Irving Chee Huan Tong	Teh Lam Chuan
Keren Chen	Teoh Hock Seng
Khor Mee Kuan	Terry Kho Aik Tee
Koh Hong Lian	Thing Chee Tiong
Koh Mei Lee	Tse Kai Chi
Koh Mei Leng	Yap Choi Foong
Kuok Khoon Chen	<i>(Appointed on 5 October 2017)</i>
Kuok Khoon Hong	Yeo Eng Hong
Lau Moh Wen	Yong Su Keong
<i>(Resigned on 1 July 2017)</i>	

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, SOH CHIN TECK and DATO' CAPT. AHMAD SUFIAN @ QURNAIN BIN ABDUL RASHID, being two of the Directors of PPB Group Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 86 to 176 are drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act 2016 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2017 and of their results and cash flows for the year ended on that date.

On behalf of the Board

SOH CHIN TECK

Director

DATO' CAPT. AHMAD SUFIAN @ QURNAIN BIN ABDUL RASHID

Director

Kuala Lumpur
28 March 2018

Statutory Declaration

Pursuant to Section 251(1) of the Companies Act 2016

I, YAP CHOI FOONG, being the person primarily responsible for the accounting records and financial management of PPB Group Berhad, do solemnly and sincerely declare that the financial statements of the Group and of the Company set out on pages 86 to 176 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

YAP CHOI FOONG

Subscribed and solemnly declared by the
abovenamed Yap Choi Foong
at Kuala Lumpur in the
Federal Territory on this
28th day of March 2018

Before me,

TAN SEOK KETT
Commissioner for Oaths
Malaysia
No. W530

Independent Auditors' Report

To the members of PPB Group Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PPB Group Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 86 to 176.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and 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 for Opinion

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

(a) Investments in associates

Refer to *Significant Accounting Estimates and Judgements* in note 2.4 and *Investments in Associates* in note 16 to the financial statements.

The risk:

The Group accounted for its investments in associates using equity method. The share of net profits less losses of associates of the Group for the financial year ended 31 December 2017 amounted to RM1,053 million.

The Group's and the Company's investments in associates as at 31 December 2017 amounted to RM17,222 million and RM8,782 million respectively. Investments in associates are subject to impairment testing if there is any indication of impairment. Impairment testing involves estimation of value in use, which requires management to make an estimation of the expected future cash flows and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

Due to the significance of the Group's share of results of associates, and the involvement of management's judgement and estimation in the impairment testing, these are considered key audit matters.

Independent Auditors' Report

To the members of PPB Group Berhad

Our response:

In respect of the Group's share of results of the associates, our audit procedures included, among others, the assessment of control over the Group's process in measuring its share of results of the associates. We tested the Group's share of results of material associates recognised by management. We also assessed the financial statements of those material associates, including our involvement in the audit work of component auditors.

In respect of the Group's and the Company's investments in associates, our audit procedures included, among others, the assessment of control over the Group's and the Company's process in impairment testing of investments in associates. We tested the key assumptions and inputs used in the value in use calculation. We assessed the reasonableness of cash flow projections prepared by management, taking into consideration the historical cash flows of the associate. We assessed the appropriateness of discount rate applied by management, taking into consideration of internal and external data. We assessed the sensitivity of key inputs to the impairment testing model to evaluate the corresponding effect on the recoverable amount arising from possible changes in the key assumptions.

(b) Goodwill

Refer to *Significant Accounting Estimates and Judgements* in note 2.4 and *Goodwill* in note 13 to the financial statements.

The risk:

As at 31 December 2017, the Group's goodwill stood at RM74 million. The Group is required to test goodwill for impairment annually, which involves comparing each cash-generating unit's value in use with its carrying amount. Estimating the value in use requires management to make an estimation of the expected future cash flows from each cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. Due to the significance of goodwill and the related management's judgement and estimation in impairment testing, this is considered a key audit matter.

Our response:

Our audit procedures included, among others, the assessment of control over the Group's process in testing impairment of goodwill. We tested the key assumptions and variables used in the Group's value in use calculation. We assessed the basis and reasonableness of cash flow projections, including a retrospective review of past cash flow projections. We assessed the appropriateness of discount rate used by management, taking into consideration of internal and external data. We assessed the sensitivity of key inputs to the impairment testing model, to evaluate the corresponding effect on the recoverable amount due to possible changes in the key assumptions. We also reviewed the Group's disclosures in the financial statements about the assumptions to which the outcome of the impairment test is most sensitive.

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

To the members of PPB Group Berhad

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.

Independent Auditors' Report

To the members of PPB Group Berhad

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

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

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

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 53 to the financial statements.

Other Matter

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.

MAZARS PLT
LLP0010622-LCA
AF 001954
Chartered Accountants

LEE SOO ENG
03230/02/2020 J
Chartered Accountant

Kuala Lumpur
28 March 2018

Additional Compliance Information

The following additional information is provided in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

1. AUDIT AND NON-AUDIT FEES

The audit and non-audit fees paid or payable to the external auditors of PPB by the Group and the Company for the financial year ended 31 December 2017 were as follows:

	Group	Company
Audit fees	RM678,700	RM87,500
Non-audit fees	RM220,073	RM11,000

2. Material contracts

There were no material contracts entered into by PPB Group involving the directors' and major shareholders' interests since the end of the previous financial year nor still subsisting at the end of the financial year ended 31 December 2017.

3. Recurrent related party transactions of a revenue or trading nature ("RRPT")

The actual values of RRPTs entered into by PPB Group with PGEO Group Sdn Bhd ("PGSB") and Kuok Brothers Sdn Berhad ("KBSB") and/or their connected persons during the financial year ended 31 December 2017 pursuant to the shareholders' mandate obtained at the 48th Annual General Meeting are as follows:

Nature of transactions undertaken by PPB and/or its subsidiaries	Transacting party	Year 2017 Actual (RM'000)	Nature of relationship
Purchase of cooking oil, soyabean, crude palm oil and refined palm products from PGSB Group			
FFM Berhad ("FFM")* Group	PGSB Group	220,765	PGSB is a major shareholder of FFM.
Sale of polypropylene woven bags and flexible intermediate bulk containers to PGSB Group			
Tego Sdn Bhd	PGSB Group	1,584	PGSB is a major shareholder of FFM.
Purchase of crude palm oil from Sapi			
FFM (Sabah) Sdn Bhd	Sapi Plantations Sdn Bhd ("Sapi")	5,889	Sapi is a wholly-owned subsidiary of PPB Oil Palms Berhad, a person connected with PGSB.
Charter hire of vessels from RSI			
FFM Group	Raffles Shipping International Pte Ltd ("RSI")	85,312	RSI is a 100%-owned subsidiary of Wilmar International Limited ("Wilmar"), a person connected with PGSB.

Additional Compliance Information

Nature of transactions undertaken by PPB and/or its subsidiaries	Transacting party	Year 2017 Actual (RM'000)	Nature of relationship
Sale of flour and pollard to Wilmar Group			
FFM Group	Wilmar Group	66,299	Wilmar is a person connected with PGSB.
Payment of advisory fee to WTC			
FFM Group	Wilmar Trading (China) Pte Ltd ("WTC")	889	WTC is an indirect 100%-owned subsidiary of Wilmar.
Purchase of soyabean meal from WTC			
FFM Group	WTC	-	WTC is an indirect 100%-owned subsidiary of Wilmar.
Payment of agency commission to WMCLV for sale of flour and pollard			
FFM Group	Wilmar Marketing CLV Co Ltd ("WMCLV")	2,953	WMCLV is an indirect 100%-owned subsidiary of Wilmar.
Rental of land and buildings to PGEO			
Taloh Sdn Bhd	PGEO Edible Oils Sdn Bhd ("PGEO")	1,728	PGEO is a wholly-owned subsidiary of PGSB.
Sale of animal feed, bran and pollard, flour, maize and raw materials to Min Tien			
FFM Grains & Mills Sdn Bhd	Min Tien & Co Sdn Bhd ("Min Tien")	12,194	Min Tien is a 51.92%-owned subsidiary of KBSB, a major shareholder of PPB.

* FFM is an 80%-owned subsidiary of PPB.

Properties Owned by PPB Group Berhad and its Subsidiaries

Location	Description & existing use of properties	Date of acquisition/ revaluation	Age of buildings in years	Land area	Built up area	Tenure	Year of expiry	Net book value at 31.12.2017 RM'000
STATE OF KEDAH								
Cathay Alor Setar No 1 & 1A, Jln Limbong Kapal, 05000 Alor Setar	Property leased out	16.4.1990	-	3,995 sq metres	-	Freehold	-	805
Cathay Sungai Petani No 11, Jln Bank, 08000 Sg Petani	Property leased out	16.4.1990	>50	830 sq metres	1,013 sq metres	Freehold	-	305
31 Jln Kampung Baru, 08000 Sg Petani	Land for property development	7.11.1991	-	9,846 sq metres	-	Freehold	-	1,084
Lot 28, 57, 65, 1010, 1011, 1122-1124, 1128, 1137, 1139, 1142, 1242, 1273, 1279, 1289, 1290, 1292, 1294, 1664 & 1665, Mukim Semeling, Daerah Kuala Muda	Oil palm estate	13.4.1981	-	569 hectares	-	Freehold	-	7,609
PT 876-2372, 2390-2398, 3726-3733, 3774-3781, 4027-4350 & 4681 - 4728, Mukim Semeling, Daerah Kuala Muda	Land for property development	13.4.1981	-	501,502 sq metres	-	Freehold	-	25,241
Lots 37 - 39, 50 - 51 3131-3132, 3135 Mukim Ayer Puteh Mukim Pendang, Gurun	Poultry breeder farm & oil palm plantation	21.2.1995	21	103 hectares	43,633 sq metres	Freehold	-	9,402
STATE OF PENANG								
Lot 10005, Lot 10006, Mukim 01 Daerah Seberang Prai Tengah	Factory & office building leased out	28.4.1989	41	24,570 sq metres	7,209 sq metres	Leasehold	2111	7,930
Lot 10000, Mukim 01 Daerah Seberang Prai Tengah	Factory & warehouse building	25.11.1982	35	21,150 sq metres	10,320 sq metres	Leasehold	2111	10,603
Lot 10002, Mukim 01 Daerah Seberang Prai Tengah	Factory & warehouse building	10.2.1989	35	13,492 sq metres	8,652 sq metres	Leasehold	2111	21,263
Lot 10001, Mukim 01 Daerah Seberang Prai Tengah	Industrial land	4.11.1990	-	1,436 sq metres	-	Leasehold	2111	193
Odeon Penang No 130, Penang Road, 10000 Penang	Property leased out	16.4.1990	71	1,084 sq metres	1,213 sq metres	Freehold	-	435
		16.4.1990	-	281 sq metres		Leasehold	2038	52
Lot No.31, 336-339, 340, 342, 343 & 438, Seksyen 15, Bandar Geogetown Daerah Timor Laut, Pulau Pinang	Commercial building leased out & vacant land	30.9.1976	11	2 hectares	10,638 sq metres	Freehold	-	21,907
		12.7.2013	-	264 sq metres	-	Freehold	-	

Properties Owned by PPB Group Berhad and its Subsidiaries

Location	Description & existing use of properties	Date of acquisition/ revaluation	Age of buildings in years	Land area	Built up area	Tenure	Year of expiry	Net book value at 31.12.2017 RM'000
STATE OF PENANG (CONTINUED)								
No 8-8A, 8B, 10, 10A, 12, 12A, 14, 14A, 16, 16A, 18, 18A, 20, 20A, 22, 22A, 22B & 22C, Beach Street, 10300 Penang	2 storey shophouses	31.3.1981	> 50	2,526 sq metres	3,995 sq metres	Freehold	-	8,826
No 2 & 4, Church Street, 10300, Penang	2 storey shophouses							
PT 8096 - 8129, PT 8154 - 8165 & PT 8177 Mukim 11, District of Seberang Prai Tengah	Land under development & held for development	3.9.2003	-	38,895 sq metres	-	Freehold	-	14,794
GM 59 Lot 3582 & GM 60 Lot 3583 Mukim 18, Tempat Vale of Tempe, Daerah Timor Laut, Negeri Pulau Pinang	Land for property development	20.4.2016	-	23,548 sq metres	-	Freehold	-	45,258
STATE OF PERAK								
Cathay Ipoh No 60, Jln Dato' Onn Jaafar, 30300 Ipoh	Property leased out	16.4.1990	61	3,949 sq metres	1,673 sq metres	Freehold	-	1,018
Lot 128266 Mukim Ulu Kinta Daerah of Kinta	Office building & warehouse	3.10.1991	24	8,018 sq metres	3,091 sq metres	Leasehold	2045	942
Lot 15518 Mukim Lumut Daerah of Manjung	Land leased out	28.12.1995	21	80,940 sq metres	-	Leasehold	2105	5,421
Lot 504, 523, 834-852, 857, 863, 870-891, 902-904, 907-917, 944-961, 1016, 1032-1040, 1089, 1111, 1125-1126, 1131-1132, 1148, 1178, 1191-1192, 1244, 2380-2382, 2387-2389, 2394-2401, 2405-2408, 2410 & 3485 Mukim Trong, Daerah Larut and Matang	Layer farm & oil palm plantation	25.10.1996	19	220 hectares	47,606 sq metres	Freehold	-	37,798
STATE OF SELANGOR								
Lot 64531 Lot 142827 Mukim Klang Daerah Klang	Factory, warehouse & vacant industrial land	6.6.1995	10 to 16	207,503 sq metres	81,624 sq metres	Leasehold	2097	140,586
Lots 2824 - 2827 & PT 45125 Mukim Sg Buloh Daerah Petaling Jaya	Warehouse cum office & vacant industrial land	19.10.1993 1.6.1994	7 to 20	243,415 sq metres	13,177 sq metres	Freehold	-	63,268

Properties Owned by PPB Group Berhad and its Subsidiaries

Location	Description & existing use of properties	Date of acquisition/ revaluation	Age of buildings in years	Land area	Built up area	Tenure	Year of expiry	Net book value at 31.12.2017 RM'000
STATE OF SELANGOR (CONTINUED)								
1-17, Jln SS 22/19, Damansara Jaya, 47400 Petaling Jaya	Nine 4-storey shop-houses & offices leased out	16.4.1990	35	1,408 sq metres	4,907 sq metres	Freehold	-	2,450
Lot No PT 10989 & PT 10991, Jln SS24/10 & 24/5, Taman Megah, 47301 Petaling Jaya	Land leased out	16.4.1990	-	13,631 sq metres	-	Freehold	-	8,834
Lot 9, Jln Utas 15/7, 40000 Shah Alam	Office building	22.2.1993	47	33,946 sq metres	7,639 sq metres	Leasehold	2069	6,484
Lot 12, Persiaran Kemajuan 16/16, 40000 Shah Alam	Office building	22.2.1993	29	11,458 sq metres	3,977 sq metres	Leasehold	2018	96
16/8A Jln Pahat, 40700 Shah Alam	Office building	1.1.2004	37	3,837 sq metres	1,237 sq metres	Leasehold	2067	546
WILAYAH PERSEKUTUAN								
Lot 2883, Jln Cheras, Kuala Lumpur	Land for property development	9.3.1982	-	1,376 sq metres	-	Freehold	-	101
Lot 39727 & Lot 39729, Jln Cheras, Kuala Lumpur	Land for property development	9.3.1982	-	3,582 sq metres	-	Leasehold	2077 & 2080	297
Cheras LeisureMall Jln Manis 6, Taman Segar, Cheras, 56100 Kuala Lumpur	Shopping mall	9.3.1982	23	21,225 sq metres	73,339 sq metres	Leasehold	2077 & 2080	71,075
Cheras Plaza No 11, Jln Manis 1, Taman Segar, Cheras, 56100 Kuala Lumpur	Eight storey building & carpark	9.3.1982	31	5,130 sq metres	20,143 sq metres	Leasehold	2077	12,142
LA79200014, Layang Layang Town, Labuan	Vacant commercial building	16.4.1990	-	9,941 sq metres	3,228 sq metres	Leasehold	2091	962
STATE OF NEGERI SEMBILAN								
Lot 765 & 2100, Mukim of Linggi, District of Port Dickson	Poultry breeder farm	12.3.1992	25	678,481 sq metres	45,360 sq metres	Freehold	-	12,691
Lot 32565 Pekan Senawang Daerah Seremban	Factory & office building	30.6.1996	26	38,209 sq metres	11,160 sq metres	Freehold	-	10,683
GSC Cineplex 2nd Floor, Terminal One Shopping Complex, 20B Jln Lintang, 70000 Seremban	Cineplex	26.2.1996	22	-	1,811 sq metres	Freehold	-	3,725
STATE OF MALACCA								
Lot 8419, Mukim of Krubong, District of Melaka Tengah	Warehouse & office building	8.9.2011	2	14,149 sq metres	4,028 sq metres	Leasehold	2107	10,036

Properties Owned by PPB Group Berhad and its Subsidiaries

Location	Description & existing use of properties	Date of acquisition/ revaluation	Age of buildings in years	Land area	Built up area	Tenure	Year of expiry	Net book value at 31.12.2017 RM'000
STATE OF JOHOR								
Southern Marina Residences, Tower 1 PT No. 199663, H.S. No. 537344	Condominium (Building under construction)	23.1.2015	-	431 sq metres	-	Freehold	-	1,930
Lot 66243 Mukim Plentong Daerah Johor Bahru	Factory & office building	7.1.1989	33 to 41	36,891 sq metres	20,823 sq metres	Leasehold	2049	41,366
Lot 90518 Mukim Plentong Daerah Johor Bahru	Factory leased out	10.10.1987 14.7.1988	21 to 29	121,490 sq metres	14,532 sq metres	Leasehold	2049 & 2050	19,302
Cathay Muar No 38, Jln Sayang, 84000 Muar	Property leased out	16.4.1990	60	1,623 sq metres	1,145 sq metres	Freehold	-	277
Lot 614 & 615, Bandar Maharani, Jln Ali, District of Muar	Land leased out	16.4.1990	-	345 sq metres	-	Freehold	-	
Cathay Batu Pahat 91A Jln Rahmat, 83000 Batu Pahat	Property leased out	16.4.1990	>50	2,864 sq metres	1,152 sq metres	Freehold	-	363
Odeon Batu Pahat 30 & 30A Jln Jenang, 83000 Batu Pahat	Property leased out	16.4.1990	>50	1,752 sq metres	973 sq metres	Freehold	-	505
Plaza Cinema 1 & 2 F-126, 1st Floor, Holiday Plaza, Jln Dato Suleiman, 80250 Johor Bahru	Shoplot leased out	31.7.1992	28 & 29	-	3,751 sq metres	Freehold	-	9,926
Lot 973, Mukim of Tebrau, Johor Bahru	Warehouse & office building	15.7.1996	18	34,981 sq metres	4,342 sq metres	Freehold	-	8,409
Lot 66242 Mukim Plentong Daerah Johor Bahru	Feedmill factory & office building	11.3.2014	28	22,673 sq metres	15,920 sq metres	Leasehold	2050	14,472
STATE OF PAHANG								
PT42762 Mukim Kuala Kuantan Daerah Kuantan Kuantan	Office building & warehouse	12.7.1997	19	7,810 sq metres	1,952 sq metres	Leasehold	2061	1,379
STATE OF KELANTAN								
Lot 5049 PT 4090, Mukim Panchor, Daerah Kemumin, Kota Bharu	Warehouse & office building	30.12.2001	11	14,166 sq metres	3,454 sq metres	Leasehold	2063	2,119

Properties Owned by PPB Group Berhad and its Subsidiaries

Location	Description & existing use of properties	Date of acquisition/ revaluation	Age of buildings in years	Land area	Built up area	Tenure	Year of expiry	Net book value at 31.12.2017 RM'000
STATE OF SARAWAK								
Lot 2231, Pending Industrial Estate Kuching	Factory & office building	13.11.1984 18.6.1987 15.3.1989	34	6,812 sq metres	4,292 sq metres	Leasehold	2040	3,386
Lot 2484 Block 8 Muara Tebas Land Dist. Kuching	Factory & office building	6.12.1999	14	21,350 sq metres	11,194 sq metres	Leasehold	2059	17,754
Lot 137 Block 5, Undup Land District, Sri Aman	Vacant agricultural land	9.3.1996	-	18,130 sq metres	-	Leasehold	2072	1
Lot 2484 Block 8 Muara Tebas Land Dist. Kuching, Sarawak	Warehouse & office building	17.5.2004	12	10,520 sq metres	3,135 sq metres	Leasehold	2064	2,957
Cathay Kuching Lot 31, Section 23, Khoo Hun Yeang Street, 93700 Kuching	Property leased out	16.4.1990	> 50	1,661 sq metres	874 sq metres	Leasehold	2802	357
Cathay Sibul C.D.T, No 6 Raminway, Lot 502, Block 5, 96007 Sibul	Property leased out	16.4.1990	58	1,486 sq metres	1,801 sq metres	Leasehold	2110	655
STATE OF SABAH								
CL 015399818 Kolombong Industrial Est. Kota Kinabalu	Factory & office building	10.10.1989	25	10,927 sq metres	3,954 sq metres	Leasehold	2032	2,489
CL 015582233 Kota Kinabalu Industrial Park Kota Kinabalu	Factory & office building	19.10.2006	7	12,096 sq metres	5,230 sq metres	Leasehold	2097	25,854
Lot 31, Industrial Zone 4, KKIP, Kota Kinabalu	Warehouse & office building	24.07.2006	11	9,955 sq metres	3,060 sq metres	Leasehold	2098	2,485
CL 075149325, Karamunting, Sandakan	Land for future development	10.8.1996	-	58,315 sq metres	-	Leasehold	2881	1,855
Cathay Sandakan Lot 2869, Third Street, 90007 Sandakan	Land leased out	16.4.1990	-	1,282 sq metres	-	Leasehold	2053	508
Lot 2777, TL 077508788, Jalan Bahagia Jln Utara, Sandakan	Land for future development	16.4.1990	-	845 sq metres	-	Leasehold	2061	139
INDONESIA								
Jl.S.Gunungjati, LK.Lijajar Rt.13/06, Kelurahan Tegalratu Kecamatan Ciwandan, Kota Cilegon	Factory & office building	26.1.2007 3.4.2007	9	31,723 sq metres	71,160 sq metres	Leasehold	2037	119,173

Statement of Shareholdings

as at 15 March 2018

Class of Shares : Ordinary Shares
Voting Rights : One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	% of Holders	No. of Issued Shares	% of Issued Shares
		%		%
Less than 100	1,038	11.82	20,773	0.00
100 - 1,000	2,317	26.38	1,430,254	0.12
1,001 - 10,000	3,698	42.09	15,082,080	1.27
10,001 - 100,000	1,382	15.73	43,642,493	3.68
100,001 to less than 5% of issued shares	347	3.95	443,435,399	37.41
5% and above of issued shares	3	0.03	681,888,883	57.52
Total	8,785	100.00	1,185,499,882	100.00

DIRECTORS' INTERESTS IN SHARES

	Direct Interest		Deemed Interest	
	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
		%		%
IN THE COMPANY				
Tan Sri Datuk Oh Siew Nam	120,666	0.01	1,204,498	0.10
Tam Chiew Lin	6,000	0.00	10,000	0.00
IN RELATED CORPORATIONS				
Tego Sdn Bhd - Subsidiary				
Tan Sri Datuk Oh Siew Nam	-	-	18,000	0.10
Kuok Brothers Sdn Berhad - Holding company				
Tan Sri Datuk Oh Siew Nam	-	-	4,966,667	0.99
Lim Soon Huat	200,000	0.04	-	-
Datuk Ong Hung Hock	290,000	0.06	-	-
Coralbid (M) Sdn Bhd - Subsidiary of holding company				
Tan Sri Datuk Oh Siew Nam	-	-	100,000	0.27

Save as disclosed above, none of the other Directors had any direct nor deemed interest in shares of the Company or its related corporations.

Statement of Shareholdings

as at 15 March 2018

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest		Total	
	No. of Issued Shares	% of Issued Shares %	No. of Issued Shares	% of Issued Shares %	No. of Issued Shares	% of Issued Shares %
Kuok Brothers Sdn Berhad	594,889,624	50.18	7,420,504	0.63	602,310,128	50.81
Employees Provident Fund Board	133,684,979	11.28	-	-	133,684,979	11.28

THIRTY LARGEST SHAREHOLDERS (as per Record of Depositors)

as at 15 March 2018

Name of Shareholders	No. of Issued Shares	% of Issued Shares %
1. Kuok Brothers Sdn Berhad	472,711,372	39.87
2. Citigroup Nominees (Tempatan) Sdn Bhd <i>For Employees Provident Fund Board</i>	136,294,579	11.50
3. Kuok Brothers Sdn Berhad	72,882,932	6.15
4. Kuok Brothers Sdn Berhad	49,296,514	4.16
5. Nai Seng Sdn Berhad	40,826,500	3.44
6. HSBC Nominees (Asing) Sdn Bhd <i>Exempt AN For Credit Suisse (SG BR-TST-Asing)</i>	23,693,828	2.00
7. Kuok Foundation Berhad	17,119,720	1.44
8. HSBC Nominees (Asing) Sdn Bhd <i>Exempt AN For Morgan Stanley & Co. International PLC (Client)</i>	16,333,802	1.38
9. Cartaban Nominees (Asing) Sdn Bhd <i>Exempt AN For State Street Bank & Trust Company (West CLTOD67)</i>	15,426,010	1.30
10. Kumpulan Wang Persaraan (Diperbadankan)	13,409,400	1.13
11. HSBC Nominees (Asing) Sdn Bhd <i>BBH and Co Boston For Vanguard Emerging Markets Stock Index Fund</i>	10,242,942	0.86
12. Chinchoo Investment Sdn Berhad	10,184,100	0.86
13. UOBM Nominees (Asing) Sdn Bhd <i>United Overseas Bank Nominees (Pte) Ltd For Sin Heng Chan (1960) Pte Ltd</i>	10,100,000	0.85

Statement of Shareholdings

as at 15 March 2018

Name of Shareholders	No. of Issued Shares	% of Issued Shares %
14. UOB Kay Hian Nominees (Asing) Sdn Bhd <i>Exempt AN</i> <i>For UOB Kay Hian (Hong Kong) Limited (a/c Clients)</i>	8,208,546	0.69
15. Ophir Holdings Berhad	8,158,420	0.69
16. Amanahraya Trustees Berhad <i>For Amanah Saham Malaysia</i>	8,083,600	0.68
17. HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA</i> <i>For Vanguard Total International Stock Index Fund</i>	7,739,800	0.65
18. Cartaban Nominees (Asing) Sdn Bhd <i>GIC Private Limited</i> <i>For Government of Singapore (C)</i>	7,118,300	0.60
19. Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad</i> <i>For Public Ittikal Fund (N14011970240)</i>	6,500,000	0.55
20. Gaintique Sdn Bhd	5,933,300	0.50
21. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY</i> <i>For Dimensional Emerging Markets Value Fund</i>	5,641,966	0.48
22. Amanahraya Trustees Berhad <i>For Amanah Saham Wawasan 2020</i>	5,000,000	0.42
23. Key Development Sdn Berhad	5,000,000	0.42
24. Cartaban Nominees (Tempatan) Sdn Bhd <i>PAMB</i> <i>For Prulink Equity Fund</i>	4,370,600	0.37
25. Amanahraya Trustees Berhad <i>For As 1Malaysia</i>	3,864,700	0.33
26. UOB Kay Hian Nominees (Asing) Sdn Bhd <i>Exempt AN</i> <i>For UOB Kay Hian Pte Ltd (a/c Clients)</i>	3,655,158	0.31
27. Amanahraya Trustees Berhad <i>For Public Islamic Select Enterprises Fund</i>	3,637,500	0.31
28. Ang Poon Tiak	3,565,000	0.30
29. Universiti Kebangsaan Malaysia	3,323,608	0.28
30. HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA</i> <i>For Flexshares Morningstar Global Upstream Natural Resources Index Fund</i>	2,941,200	0.25
	981,263,397	82.77

Notice of Annual General Meeting

Date/Time : Tuesday, 15 May 2018 at 10.00 am.

Venue : Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur, 11 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia.

NOTICE IS HEREBY GIVEN that the 49th Annual General Meeting of PPB Group Berhad will be held at the Sabah Room, B2 Level, Shangri-La Hotel Kuala Lumpur, 11 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on Tuesday, 15 May 2018 at 10.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive the audited Financial Statements for the year ended 31 December 2017 and the Reports of the Directors and Auditors thereon. *(See Explanatory Note 1)*
2. To approve the payment of a final single tier dividend of 22 sen per share in respect of the financial year ended 31 December 2017 as recommended by the Directors. **(Resolution 1)**
3. a) To approve an increase in Directors' fees for the financial year ended 31 December 2017. **(Resolution 2)**
 b) To approve the payment of Directors' benefits for the period from 1 June 2018 to 30 June 2019. *(See Explanatory Note 2)* **(Resolution 3)**
4. To re-elect the following Directors pursuant to the Articles of Association of the Company:
 - a) Datuk Ong Hung Hock **(Resolution 4)**
 - b) Mr Soh Chin Teck **(Resolution 5)**
5. To re-appoint Mazars PLT as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

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

6. **Ordinary Resolution**
 To approve the continuation of Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid's tenure as an Independent Director. *(See Explanatory Note 3)* **(Resolution 7)**
7. **Ordinary Resolution**
– Authority to issue shares pursuant to the Companies Act 2016
 "THAT subject to the Companies Act 2016, the Articles of Association of the Company and the approvals of the relevant authorities (if required), the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad."
(See Explanatory Note 4) **(Resolution 8)**

Notice of Annual General Meeting

8. Ordinary Resolutions

- **Proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature with the following related parties:**

- a) **persons connected with PGEO Group Sdn Bhd; and**
- b) **persons connected with Kuok Brothers Sdn Berhad.**

(Resolution 9)

(Resolution 10)

The text of the above resolutions together with details of the Proposed Shareholders' Mandate are set out in the Circular to Shareholders dated 17 April 2018. *(See Explanatory Note 5)*

9. Ordinary Resolution

- **Proposed renewal of authority for PPB Group Berhad to purchase its own ordinary shares up to 10% of the issued shares**

(Resolution 11)

The text of the above resolution together with details of the Proposed Share Buy-back are set out in the Statement to Shareholders dated 17 April 2018. *(See Explanatory Note 6)*

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

NOTICE OF BOOKS CLOSURE AND DATE OF DIVIDEND PAYMENT

Notice has been given on 28 February 2018 that subject to the approval of shareholders at the Annual General Meeting to be held on 15 May 2018, a final single tier dividend of 22 sen per share in respect of the financial year ended 31 December 2017 is payable on Thursday, 31 May 2018 to members whose names appear in the Record of Depositors on Friday, 18 May 2018.

A Depositor shall qualify for entitlement in respect of:

- i) Shares transferred into the Depositor's securities account before 4.00 pm on Friday, 18 May 2018 in respect of ordinary transfers; and
- ii) Shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

Kuala Lumpur
17 April 2018

By Order of the Board
Mah Teck Keong
(MAICSA 0820976)
Company Secretary

Notice of Annual General Meeting

Appointment of proxy

- A member of the Company entitled to attend and vote at the Annual General Meeting ("AGM") may appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
- Except for an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, a member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- The Proxy Form must be signed by the appointer or his/her attorney duly authorised in writing or in the case of a corporation, executed under its common seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the registered office of the Company not less than 48 hours before the time for holding the AGM or any adjournment thereof.
- Others
Only a depositor whose name appears on the Record of Depositors of the Company as at 4 May 2018 shall be regarded as a member of the Company entitled to attend, speak and vote at the AGM.

EXPLANATORY NOTES

1) Audited financial statements for the financial year ended 31 December 2017

This item of the agenda is meant for discussion only, in accordance with Section 340(1)(a) of the Companies Act 2016 which requires the laying of the audited financial statements, and the reports of the directors and auditors at an annual general meeting. Hence, this agenda item will not be put forward for voting.

2) Directors' fees and benefits

The base fee payable to non-salaried Directors (excluding the Chairman) and the fees for the Audit Committee are proposed to be increased as follows:

Position	Fee basis (RM per director per annum)	
	FYE 2017 (proposed)	FYE 2016
Non-salaried Directors	70,000	60,000
Chairman of Audit Committee	25,000	20,000
Member of Audit Committee	15,000	12,500

Arising therefrom, total fees payable to non-salaried Directors would amount to RM940,000/- for Directors who had served during the year.

The benefits comprise allowances and benefits-in-kind payable to non-salaried Directors, of which the estimated value for the period from 1 June 2018 to 30 June 2019 is RM170,000/-.

Notice of Annual General Meeting

SPECIAL BUSINESS

3) Independent director's tenure

Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid was appointed as an Independent Non-executive Director on 22 June 2009 and his term as an independent director will exceed nine years after 22 June 2018. Pursuant to the Malaysian Code on Corporate Governance, the Board through the Nomination Committee has carried out the necessary assessment and is satisfied that Dato' Sufian is able to exercise independent judgement and act in the best interest of the Company. He has effectively applied his experience and knowledge to discharge his duties and responsibilities as a Director of the Company.

Dato' Sufian is the Chairman of the Remuneration Committee and a member of the Audit Committee. His profile is set out on page 38 of the Annual Report. He is also in compliance with the relevant criteria and provisions in the Bursa Securities Main Market Listing Requirements on independent directors. Dato' Sufian abstained from all deliberations at the Board meeting in relation to the recommendation of Resolution 7.

4) Authority to issue shares pursuant to the Companies Act 2016

The proposed Ordinary Resolution 8 is to seek a renewal of the general authority for the issue of new ordinary shares in PPB pursuant to Sections 75 and 76 of the Companies Act 2016 which was approved by shareholders at the AGM held in 2017. The Company did not issue any new shares after the mandate was obtained at the last AGM.

The Company continually seeks opportunities to broaden the operating base and earnings potential of the Group. This may require the issue of new shares not exceeding ten per centum (10%) of the Company's issued shares. The proposed resolution would enable the Company to avoid delay and cost of convening further general meetings to approve the issue of shares for such purposes. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

There is presently no decision to issue new shares. Should there be a decision to issue new shares after the said authority has been given, the Company will make an announcement on the purpose and/or utilisation of proceeds arising from such issue.

5) Proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature

The proposed Ordinary Resolutions 9 and 10 are to enable the Company's subsidiaries to enter into recurrent related party transactions which are necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not detrimental to the minority shareholders of the Company. This would also eliminate the need to make regular announcements to Bursa Securities or convene separate general meetings from time to time to seek shareholders' approval as and when recurrent related party transactions arise, thereby reducing substantial administrative time and expenses in convening such meetings.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 17 April 2018 despatched together with the Company's 2017 Annual Report.

6) Proposed renewal of authority for PPB Group Berhad to purchase its own ordinary shares up to 10% of the issued shares

The proposed Ordinary Resolution 11 is to enable the Company to purchase up to a maximum of 118,549,988 ordinary shares, representing 10% of the issued shares of the Company.

Further information on the Proposed Share Buy-back is set out in the Statement to Shareholders dated 17 April 2018 despatched together with the Company's 2017 Annual Report.

Statement Accompanying the Notice of Annual General Meeting

The Directors who are standing for re-election are as follows:

- a) Datuk Ong Hung Hock; and
- b) Mr Soh Chin Teck

An assessment of the Board's performance, including the independence of the independent Directors, is carried out annually. The details of the above Directors are set out in the Directors' profiles on page 38 of the Annual Report.

Their interests in shares of the Company and its related corporations are disclosed in the Statement of Shareholdings on page 190 of the Annual Report.



I/We _____ NRIC/Passport No.: _____
of _____ Telephone No.: _____
being a member/members of PPB GROUP BERHAD hereby appoint the Chairman of the Meeting*
or _____ NRIC/Passport No.: _____
of _____
#and/#or failing him/her _____ NRIC/Passport No.: _____
of _____

* Delete the words 'the Chairman of the Meeting' if you wish to appoint another person to be your proxy.
Delete if not applicable.

as my/our proxy(ies) to vote for me/us and on my/our behalf at the 49th Annual General Meeting of the Company to be held on Tuesday, 15 May 2018 at 10.00 am and at any adjournment thereof.

My/Our proxy(ies) is/are to vote as indicated below:

No.	Resolutions	For	Against
1	To approve the payment of a final single tier dividend.		
2	To approve an increase in Directors' fees.		
3	To approve the payment of benefits to Directors.		
4	To re-elect Datuk Ong Hung Hock as a Director.		
5	To re-elect Mr Soh Chin Teck as a Director.		
6	To re-appoint Mazars PLT as auditors of the Company.		
7	To approve the extension of tenure for Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid as an independent director.		
8	To authorise the Directors to allot and issue shares.		
9	To approve a shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("RRPT") with persons connected with PGEO Group Sdn Bhd.		
10	To approve a shareholders' mandate for RRPTs with persons connected with Kuok Brothers Sdn Berhad.		
11	To approve the Proposed Share Buy-back.		

(Please indicate with an 'X' in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

The proportion(s) of my/our holding to be represented by my/our proxies is/are as follows:

	%
First Proxy	%
Second Proxy	%
Total	100%

Signed this _____ day of _____ 2018.

Signature

NOTES:

- A member of the Company entitled to attend and vote at the Annual General Meeting ("AGM") may appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
- Except for an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, a member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- The Proxy Form must be signed by the appointer or his/her attorney duly authorised in writing or in the case of a corporation, executed under its common seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the registered office of the Company not less than 48 hours before the time for holding the AGM or any adjournment thereof.

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PPB GROUP BERHAD

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12th Floor, UBN Tower
No. 10 Jalan P Ramlee
50250 Kuala Lumpur
Malaysia



PPB GROUP BERHAD



The Journey Continues...



Notes



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